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# West Europe Report

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13 MAY 1986

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## CONSERVATIVE DAILY ON UNION PAPER'S JORGENSEN ATTACK

Copenhagen BERLINGSKE TIDENDE in Danish 6 Mar 86 p 10

[Editorial: "Hoist the Sails]

[Text] "Hoist the sails, Anker [Jorgensen]," wrote METAL in a prominent place and therefore presumably well thought out. In a leading article, which was noteworthy in form and content, DANSK METAL fired a round just below the waterline in the direction of the already hard hit Social Democratic Party.

Hardy Hansen and the SiD were written off as being of no interest at all. But contrary to SiD, the METAL editorial still held some hope for the Social Democratic Party. In Ritt's puppet show along with a handful of Folketing members, Anker [Jorgensen] should, of course, have done the only right thing: to have his leadership confirmed in order to, once and for all, to put things straight in the parliamentary group. It is known to all that the group has for a long time been without political leadership but what is worse is: confusion arose among the Social Democratic Party voters in this situation. This is confirmed by the opinion polls which all had a very high "don't know"-percentage among the Social Democrats where party loyalty is normally an honor concept.

Normally, this place does not cite what other papers' editorial writers write. But this was an extraordinary editorial when both the paper and the timing are taken into consideration. The editorial is written in a paper which is a member paper for a prominent labor organization. It is written at a time when the party chairman underscores at every given opportunity that there is no split in the Social Democratic Party about the EC vote. It maybe written with the deliberate purpose of bringing forth an effective disclaimer to that allegation. And it raises a crucial question. Firstly, the question of METAL's own party loyalty. Secondly, the question how the Social Democratic Party--if there are still any hopes to be held for the party--shall play in order to get out of the overwhelming difficulties which Ivar Norgaard and Ritt Bjerregaard have brought it into.

METAL's response is self-searching, not in METAL but in the Social Democratic Party. METAL's recipe is that the party will not regain the power, the strength and the credibility among the people on the left wing premises but by seeking towards the middle of Danish politics. That is the politics that METAL ties its party loyalty to. We are far from disagreeing with METAL that it would be good if that would be the line. But the good question is whether METAL is not distancing itself so far from social democratic reality that it is no longer possible to click the scissors. If Anker Jorgensen hoists the sails and sails towards METAL, many Social Democrats will fall overboard. If he chooses a course inbetween, he will leave dissatisfaction on both sides. That is his problem no matter how often he talks about unity, a problem which so suddenly--and is invisible to others--has hit the party.

9583

CSO: 3613/83

## PRO-GOVERNMENT ARTICLE REVISES FOREIGN POLICY ISSUES

## Papandreou Decisions Seen as Realistic

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 30 Mar 86 p 48

[Article by Panos Loukakos: "Political Realism Instead of Utopia"]

[Text] Mr. Andreas Papandreou made some fateful decisions which will seal this nation's future course. Decisions dictated by the following facts and the following imperatives:

First, the Cyprus issue: which has remained open for decades while today Turkey's armies occupy a large section of the island. This problem can be solved either by a war between Greece and Turkey or by negotiations which will result--if they do--in a mutually acceptable agreement. And, surely, only the politically naive can believe that the Cyprus issue can be solved without any United States diplomatic activities in the wings. Because Athens, of course, has none of the power to exert pressures on Ankara which Washington has.

Second, Greek-Turkish differences: for how many more years can Greece and Turkey live under present conditions? And, naturally, no one is talking about any form of concessions to Ankara. However, what sane person speaks of solving those differences with a confrontation and not through a dialogue process? Even if such a dialogue remains fruitless. Even if it leads nowhere.

Third, Greek-NATO relations: Greece without NATO means today that the entire Greek territory would be strategically covered by Turkey on behalf of the Alliance. It means that Greece will find itself in the position of being unable to face the Turkish threat. It means that Greece's sources of rearmament will irrevocably dry up. Not only will there be no new arms markets but there will not even be any spare parts markets for the weapons already in use.

Fourth, bilateral Greek-American relations: they have gone beyond the phase of subordination. But they can proceed within the framework of relative equality as far as the weaker one can be equal to the stronger one. Americans have an absolute need of their bases in Greece. The same bases that they have in almost all West European NATO nations. And the presence of those bases has not destroyed their national independence. Who could say that Italy is not an independent nation because it has American bases on its soil? National inde-

pendence and its opposite, which is subjection, cannot be judged by the presence or absence of American bases. They are judged each time by the policy every government follows--today's, past ones and future ones--as long as a nation belongs to the western coalition, the slogan "Oust the Americans now" cannot be turned into a political action. Because "Oust the Americans now" presupposes that one has solved on one's own all the problems that this "ousting" would create. And when one has had the Cyprus issue open for decades, when one faces a threat in the Aegean, when one has no arms industry, when one lives with an endemic economic crisis, none of one's problems have been solved.

All of this may sound a little discordant. It would be much easier to write about and support "nationally proud" stances, saying "no to imperialists" and "oust the bases of death". Because we live in a country that has been nurtured on slogans, empty phrases, undescribable political shallowness.

And, of course, the PASOK, which since 1974 not only has failed to put a stop to it but has fed political utopia, bears no small responsibility.

But today the only thing for which one cannot call the government to account is the foreign policy it has followed lately. Let the PASOK explain to its followers why it said one thing and did another. But when one speaks of Greek national issues, of Greek foreign policy, one must both be careful and take into account all the parameters of the problem. Parameters which, whether we like it or not, are facts.

These past days a crucial foreign policy game was played in Athens, which will have positive consequences on the future course of this nation. Those who maintain the opposite until now proffer no arguments but slogans. Mr. Andreas Papandreou negotiated very efficiently with Washington, he advanced arguments, not slogans. And the positive aspects of these negotiations will become apparent very soon.

It would be very nice if Greece were not next door to Turkey, if the Aegean were not in between, Cyprus a little farther down and if Europe were not divided into two big coalitions. But unfortunately all of this is true. And, unfortunately, it cannot be changed.

#### Comments on Pro-PASOK Position

Athens EMBISTEVTIKO GRAMMA in Greek 2 Apr 86 p 10

[Excerpts] An especially amusing article written by P. Loukakos in the newspaper KYRIAKATI KI ELEVTHEROTYPIA has seen the light of day. This article throws into the garbage can all the PASOK positions on the main foreign policy issues and comprehensively adopts the corresponding positions of the New Democracy. Mr. Loukakos writes on the Cypriot issue, the Greek-Turkish situation, NATO and the bases. Whether or not this is indeed an amusing subject, this article, as well as all others in a similar vein that will be published in the future in the "progressive" Greek press, creates three



essential questions:

- Why is it that all these basic truths of Greek foreign policy are being belatedly discovered? Has there been a change in all the determining factors of this policy since 1975 on? Why have we not heard about them all these years?

- What is the negotiating power of Mr. Papandreou's "we belong to the West." Can we talk on a footing of equality with a government that may compel us with minimal effort to have recourse to the International Monetary Fund in a couple of years? What is the present government's responsibility for the huge foreign debt that is in effect disarming us?

- What is the cost to Greece of a postponement in the announcement of the measures described by Mr. Loukakos, which is being done so that the PASOK can hang on to the leftist vote during the municipal elections?

12278

CSO: 3521/129



## BRIEFS

IMPROVEMENT IN TIES WITH ISRAEL--As Mr Papoulias confirmed yesterday, despite the moderate tone of his declaration regarding Greece's relations with Israel they are steadily improving. When questioned at yesterday's press conference for foreign correspondents about ties between the two countries, Mr Papoulias said: "With regard to Greek-Israeli relations, I can announce that a cultural cooperation agreement has been signed with Israel. You know what our relations with Israel are, they are making normal progress and are chiefly characterized by deliberations between the secretaries-general of both ministries of foreign affairs." The opposite view is held by the League of Arab Nations which, taking the opportunity of Greece's non-recognition of the State of Israel, expressed its "thanks to its Greek friends, the president, the government and the people for their praiseworthy stance and support, within the Common Market and an international framework, of all the crucial Arab causes which are in agreement with their principles." [Text] [Athens I KATHIMERINI in Greek 5 Apr 86 p 2] 12278/6662

CSO: 3521/129

## FOREIGN MINISTER URGES NATION TAKE SECURITY RESPONSIBILITY

## Handle Own 'Internal Security'

Reykjavik MORGUNBLADID in Icelandic 21 Feb 86 p 2

[Article: "Initiative in Defense Matters Relates to 'Internal Security'"]

[Text] Icelandic Foreign Minister Matthias A. Mathiesen said in a speech yesterday at Vardberg that the increased Icelandic initiative in security and defense affairs should relate to Iceland's 'internal security'. He was referring first of all to civil defense; secondly to defense against terrorism and thirdly preparation against any kind of action intended to undermine the security and independence of Iceland. "Icelanders have thought about the last item least," said the minister.

It has been the custom, shortly after a new Icelandic Foreign Minister takes office, for him to give a speech sponsored by Vardberg and the Association for Western Cooperation in Defense and Security Policy. Matthias A. Mathiesen noted in his speech of yesterday evening that Geir Hallgrimsson, his predecessor, had laid the foundation for an Icelandic initiative in defense and security matters and he said that he would continue with the initiative. The foreign minister said, after pausing intentionally on "internal security":

"It is clear that increased Icelandic participation in the defense of Iceland means altered circumstances in this area. One example of such increased participation is the proposal for Iceland to man the new radar stations. It must be guaranteed that people chosen for such posts will enjoy universal trust. Iceland has no army but those persons will be involved in activities and have access to information which will have relevance both to the defense and to the security of the nation."

The minister then said he felt that thought should be given to firm regulation and control over the actions and numbers of foreign diplomatic personnel in Iceland; regulations on their movements within Iceland and control over the intelligence gathering of foreigners. He also thinks it necessary to draw up proposals on the control and security of energy plants and major government pa.

institutions and for other actions against sabotage during time of war and disorder. Finally, the government system needs to be reorganized to make it clear how control over internal security is structured.

#### Newspaper Supports Views

Reykjavik MORGUNBLADID in Icelandic 23 Feb 86 p 32

[Editorial: "A New Step in Security Matters"]

[Text] Under the leadership of Geir Hallgrimsson as Icelandic Foreign Minister, a notable step was made in the direction of increased Icelandic participation in the carrying out of policy in defense and security matters. Matthias A. Mathiesen, Hallgrimsson's successor, reviewed the major aspects of the step under six headings in a speech before Vardberg on Thursday.

1. Preconditions have come into being for the Icelandic Foreign Ministry to make an objective evaluation of Iceland's defense position and of the arrangement of its defenses. 2. A foundation has been laid for improved connections with military authorities within NATO. 3. The share of Iceland in the defense of Iceland has increased, likewise through the decision that Icelanders should operate the radar stations. 4. A new policy has been established in the area of public information. 5. Public aviation activities and the activities of the garrison force have been improved through the new Keflavik air field. 6. The ability of the garrison force to fulfill its role has been enhanced.

When we examine the points made here and when we recall that that about which there was the greatest dispute during the time when Geir Hallgrimsson was Icelandic Foreign Minister was the import of fresh meat for the garrison force, the conclusion can be drawn that Icelanders no longer disagree about the major areas of Icelandic policy in defense and security matters. Matthias A. Mathiesen noted correctly in his speech that discussions have for a long time been concerned about whether there should be Icelandic defense and not about how it should be achieved. Times have now changed in this regard. It is now possible to resist demands for an evaluation of individual components of the carrying out of Icelandic policy and to think about what has not been done.

Matthias A. Mathiesen stated on Thursday that he intended to lay particular emphasis on what he called 'internal security' and he explained what he meant, among other things, in the following terms: "This includes firm regulation and supervision of the actions and numbers of foreign diplomatic personnel; regulations on their movements within Iceland and control of intelligence gathering activities of foreigners. There should be proposals for control and security at energy plants and major governmental institutions and about other actions against sabotage in times of war or disorder. In addition, a decision should be made as to how this weighty area, internal security, should enter into the governmental system. The experience of our Nordic friends could be a good use in this matter."

The Icelandic Foreign Minister is here discussing a subject which should and ought to be discussed for the purpose of establishing policy which would enjoy the maximum support. The party of the foreign minister, the Independence Party, has issued resolutions on the matter more than once, for example at the party's 1985 national convention: "We must think about internal security and carry out necessary measures to prevent foreign countries or their delegates, abroad or within Iceland, from undermining Icelandic security and thereby the independence of the Icelandic people.

We are often prone to narrow discussions when we discuss security matters, whether they are concerned with military defense or other kinds of security. What the new Icelandic Foreign Minister is trying to say is that an Icelandic intelligence service or security administration should be formed. He is also saying that that cannot be done in the political system except with the cooperation of several ministries, primarily the office of the prime minister, the Ministry of Justice and the Ministry of Foreign Affairs. The preconditions for bringing this about is, to be sure, political will in this area. To bring into being this political will public discussions are necessary. The Icelandic Foreign Minister has said the first words about a notable new step towards achieving Icelandic security. Many more must now make their views clear--or perhaps the proposals will be accepted without discussion, as was the case with those changes which Geir Hallgrímsson favored. It should at least be clear to all that we have not given nearly enough consideration to this aspect of the Icelandic political system.

9857

CSO: 3626/0022

## COLUMNIST EXAMINES COUNTRY'S PEACE GROUP MOVEMENT, ACTIVITIES

Reykjavik MORGUNBLADID in Icelandic 25 Feb 86 p 9

[Editorial by Staksteinar: "Actions During a Year of Peace"]

[Text] The United Nations Organization has declared 1986 a "year of peace." This was a controversial resolution, for people have different conceptions of what is meant by peace, although all say that they are working for world peace. Staksteinar today will consider the plans of the "Solidarity Committee for the Reykjavik Peace Movement" for "actions" during the year of peace.

Peace "Taken Firmly in Hand"

It was recently reported in ALTHUDUBLADID and in THJODVILJINN that in connection with the fact that the United Nations Organization has declared 1986 as a special year of peace representatives, most Reykjavik peace movements have created among themselves a working group to support cooperative actions in the interest of peace.

The following was stated in ALTHUDUBLADID on 18 February: "The group plans to note the year in various ways, for example, there is much interests for actions around Easter; actions have been arranged in connection with the arrival of the peace ship in Ice land in July, efforts are being made towards holding a conference in the autumn and towards participation in the World Conference of the Peace Promoters in Copenhagen in October." It states later in the same article: "The proposal is to put pressure on pu blic figures who have hitherto done nothing so far to note the year. All United Nations member nations have been called upon to take the matter firmly in hand through adequate financing, the establishment of government organized peace committees and the s upport of the actions of those promoting peace. Iceland's neighboring countries have long undertaken substantial peace efforts of this sort."

It was later reported in THJODVILJINN last 21 February that the associations making up the membership of the solidarity group are the Association of Icelandic Women for Culture and Peace, the Association of Doctors and Scientists (apparently against nuclear energy, although it is not stated), the Association of Military Base Opponents, The Parents Peace Group, Nuclear-free Iceland, the Icelandic Peace Committee and the Women's Peace Movement.



## What Kind of "Peace?"

It is noteworthy that neither in the article in ALTHUDUBLADID nor in that in THJODVILJINN is a single word said concerning what policy will be advanced in the possible "peace actions." This is no accident. Those who have control over most of the so-called "peace movements" here in Iceland and elsewhere in the Western countries organize their activities in such a way that they have the broadest possible appeal in the beginning. People are called upon to attend a meeting to show their support for peace in the world and opposition to war, nuclear war in particular. Who does not desire peace in the world and are we not all fearful of the power of nuclear energy? On the other hand, when people begin to discuss how peace may be assured and an end made to war or how to deal with the reality of nuclear weapons it becomes clear that points of view are radically different. The struggle for "peace" as such is not worth much if it is unclear what kind of peace is desired and how it is to be assured.

The "Peace Movements" of radicals have a common appeal, but only as a disguise which everyone who knows about them is aware of. When the matter is put to a test, such movements strive to propagandize certain points of view, not general ones. And such definite points of view are not, by and large, intended to increase the security of people in the Western countries or to assure their freedom but rather to put both into danger, as this paper has made clear on many occasions.

## Double Dealing Proponents of Peace

A minor example of the duplicity of the self-appointed proponents of peace can be seen in the wording of the item in ALTHUDUBLADID that effort will be made towards participation in the "World Peace Conference in Copenhagen in October." What conference is this? The impression is given that the conference is something to do with the actions of the so-called "World Peace Congress" in connection with the United Nations Year of Peace. Readers are familiar with the World Peace Congress from earlier discussions in MORGUNBLADID. It is one of 13 "vanguard associations" which advisors in the Kremlin control (the others are, for example, the International Students Association and The International Association of Democratic Youth, which sponsored the International Youth Congress in Moscow last summer) and which directs the "peace struggle" in the Western countries along lines which are in accord with the interests of the Soviet regime. Only the simple minded (or those who go against their better judgment) would think that participation in a conference of the "World Peace Congress" would be a "contribution to peace" in the world and would likewise eliminate the possibility of war. It has always been the case that those doubting the Soviet Union are not heard at congress meetings and that all propaganda is directed against the Western nations, the United States in particular.

It is not unexpected that the "Icelandic Peace Committee," which is the Icelandic division of the World Peace Congress, or the pro-Soviet Association of Icelandic Women for Culture and Peace (which is managed by officials of the Soviet Embassy in Reykjavik) would like to go to a propaganda conference in

Copenhagen. The membership of the Association of Military Base Opponents is likewise not unexpected. It is, however, strange that the Association of Doctors and Scientists against Nuclear Power should wish to find a place in this society. Should they not make public accounting of their reasons for doing so.

9857

CSO: 3626/0022



## UEDS DISSOLVED; MILITANTS REPORTEDLY JOINING PS

Lisbon O JORNAL in Portuguese 28 Mar-3 Apr 86 p 9

[Article by Henrique Monteiro]

[Excerpts] On St Expedito's Day, 19 April--8 years after it was established--the UEDS [Union of the Social Democratic Left] will meet for its National Convention, which is its top decisionmaking body, and decide whether to dissolve. The proposal, signed by Lopes Cardoso and the party's top leaders, will probably be accepted without opposition. The future of the UEDS lies in going out of existence. For some of its members, the future lies in joining the PS [Socialist Party], which is where a great many of them came from.

Antonio Lopes Cardoso, 53 (as of yesterday), was a member of the Socialist Party before 25 April [1974] (having been recruited by Sottomayor Cardia), a Socialist deputy, minister of agriculture, and founder of the Socialist Cultural Society-Workers Fraternity, and he has been the number one man in the UEDS. A moral figure--he is pointed to as one of the most honestly democratic men in the democratic Left, even by those who do not agree with him--Lopes Cardoso is again taking his analysis of the situation and his understanding of politics to their ultimate conclusions: he is recommending dissolution of the party he founded and joining the PS on his own, without negotiation and unconditionally.

In addition to Lopes Cardoso, the motion recommending dissolution of the UEDS has been signed by other outstanding leaders, among them Cesar Oliveira, Joel Hasse Ferreira, Octavio Cunha, Rui Polinio Sampaio, Pessegueiro Miranda, Bras Pinto, Joao Paulo de Oliveira, Joao Mendes Espada, and Ruben Rolo. Based on the new political conditions, the motion draws the conclusion that the role of the UEDS has come to an end, but it does not recommend that its current militants join the PS, leaving that decision up to each of them. But Lopes Cardoso, Joel Hasse Ferreira, and Cesar Oliveira are among those who have already chosen that solution.

In the first round of balloting in the presidential election, the party did not support any candidate because some of its members supported Pintasilgo and others supported Soares. The first doubts concerning the future of the UEDS arose, and several analysts were betting that it would merge with the

Socialist Party. That did not happen. Its founder, Lopes Cardoso, is now recommending its dissolution. Each member is free to do whatever he wants. Many people feel that the end of the UEDS also marks the return of the prodigal sons.

11798

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## AP LEADER ASSESSES ELECTION CHANCES

Madrid YA in Spanish 24 Mar 86 p 11

[Interview with Alfonso Osorio, vice president of Popular Alliance (AP), by M.A. Mellado; date and place not given; first paragraph is introduction]

[Text] Alfonso Osorio, the vice president of Popular Alliance and the party's strategist, asserts that the sociological center will decide whether the PSOE wins or loses the forthcoming elections. Felipe Gonzalez has 7.5 million votes assured, and AP is therefore once again seeking to unite the Center and the Right at the polls.

[Osorio] In the first place, I want to say that the situation in Popular Alliance is not as stormy as it is sometimes portrayed in the press. It's just that in a party with 200,000 members not everyone thinks alike on specific issues. It is legitimate and a good thing for different views to exist, as in the British Conservative Party and in Italian or German Christian Democracy. Such differences do not splinter these parties.

[Question] That may be, but differences of opinion on issues such as the censure motion...

[Answer] Many months ago the Executive Committee of AP decided that it was up to Manuel Fraga to submit the censure motion or not. I was the one who made this proposal, and it was accepted almost unanimously. Later, the Coordinating Committee of Popular Alliance resolved this issue the same way. The fact that it has been discussed within the Parliamentary Group a few days ago does not change our view. I am convinced that this is the correct one. But not everyone is of the same opinion. The responsibility has been transferred to Fraga, though.

[Question] There is always the possibility of advising the leader.

[Answer] Look, political leadership entails responsibilities and risks. There are times when advice cannot be given. A censure motion is typically decided on by the person who exercises leadership.

[Question] One has the impression that AP has been affected by two major recent events: one internal, its Seventh Congress, and the other nationwide, the referendum.

[Answer] The Seventh Congress turned out well. We experimented with elections on open lists. And even though there was tension and maneuvering, which I will not discuss, the final outcome was positive.

Herrera in Too Much of a Hurry

[Question] What do you think of Miguel Herrera?

[Answer] Herrera is a brilliant parliamentarian with a good head who at times is in too much of a hurry.

[Question] And what about Jorge Verstrynge?

[Answer] Jorge is an intelligent, capable man, an effective administrator.

[Question] I just now mentioned the consequences of the Popular Coalition's stand in the referendum.

[Answer] I don't think that it has had major consequences. There have been differences of opinion. In the end, all key men have accepted the decision of the majority.

[Question] You must know that you have been accused of being an opportunist.

[Answer] My case is very clear. I voiced a qualification in the Executive Committee; I had long talks with Fraga; I abstained. Only after the referendum had been held did I say what I would have done as a citizen: vote yes.

[Question] Aren't you getting a loser complex?

[Answer] I don't consider myself a loser. At the congress I got 82 percent of the vote, which is not bad if you bear in mind that I've taken controversial stands on certain issues, for example, defending the coalition pacts. I don't care about getting 100 votes less at an internal congress because I'm the standard-bearer of unity among all forces to the right of the PSOE.

[Question] But it seems a bit contradictory that the rank and file should punish you because of a decision by the leadership. Perhaps the members of AP are against maintaining the coalition.

[Answer] In a party you have to distinguish between the leadership, the rank and file leaders in the provinces and the members and voters. I am absolutely convinced that the overwhelming majority of our constituency is in favor of an understanding.

## Fraga, the Man With the Votes

[Question] All indications are that the French example of a unified Center and Right is not going to work in Spain.

[Answer] The French example warrants consideration in Spain. Even though Chirac, Giscard and Barre are three politicians with strong personalities, the interests of France have prevailed. It makes me somewhat melancholy to think that this cannot be accomplished in Spain. But I'm not giving up; faith can work miracles, and I'm a man of faith.

[Question] There was no candidate in France who secretly wanted to be president.

[Answer] No one is saying, not even Fraga, that only he can beat the PSOE. Within AP, Fraga is the big advocate of the coalition. Fraga is the only man on the Right and in the Center who has a very high percentage of his own personal votes; he owns them, I would say.

[Question] I want to emphasize the point. Can a Center-Right coalition run without a candidate for prime minister?

[Answer] There could be various leaders; I think that there are in the Popular Coalition. There are several leaders to the right of the Socialist Party, but if we won the elections, not all could be prime minister. As for me, I'm not going to discuss Fraga's leadership.

[Question] Many think that Osorio the strategist has not succeeded in changing Fraga's image.

[Answer] Come on, something has improved!

[Question] Do you think, like some of your fellow party members, that if the Popular Coalition does not improve on its 1982 results, it will disappear?

[Answer] I consider it a sure thing that we are going to improve on them considerably. In any event, I feel that barring a catastrophe, Popular Coalition will not be in danger. I believe that our allies, the PDP and the Liberal Party, are run by honorable men. And even if we assume the worst, they would honor their commitments. I think that Alzaga and Segurado are gentlemen and I can't conceive of them behaving badly in the event of a disastrous defeat, which is not going to happen.

## No More Absolute Majority

[Question] A few days ago the organizational secretary of the PSOE asserted that the party would again get an absolute majority.

[Answer] They can say whatever they like. Our last survey, conducted before the referendum, contained three clear messages: the PSOE does not have an absolute majority; we have clearly improved our standing, and the forces to

the right of the PSOE could be in a position to govern together. In any event, they have 7.5, perhaps 8 million, loyal voters.

[Question] That seems like a lot of votes.

[Answer] These are sure PSOE votes, no matter what it does. But the sociological center, which is the deciding factor in all democratic countries, will determine the success or failure of the Socialist Party.

[Question] Your words sound like a warning. Don't you think that the leftist alternative that some are trying to put together could hurt the PSOE greatly?

[Answer] My analysis is different. If the PCE manages to run a united campaign, it could do very well, some 15 deputies. But if they remain divided, the Communists will put no one in Parliament. I see little future at the polls for the leftist alternative. They can organize big street rallies but they have no strength at the polls. The Left always votes for the PSOE or the PCE.

[Question] People in your party say that you have no ambition to be a minister; you just want to be "the queen mother."

[Answer] I've served as minister twice already, so I'm cured of that ambition. I can sincerely tell you that if we won, it would be very unlikely that I would serve in government again as a minister. My ambition is the triumph of a political option that represents my ideals. I have no higher responsibilities in mind, but I won't say no either. A queen mother? If the mother is the one who gives good advice and wants the best for her children, I wouldn't mind at all giving advice to others. Moreover, it's not that easy a job.

8743

CSO: 3548/44



## GENERALS, ADMIRALS ENCOURAGED TO OVERTHROW GOVERNMENT

Madrid CAMBIO 16 in Spanish 14 Apr 86 pp 18-22

[Article by Jose Diaz Herrera and Miguel Angel Liso]

[Text] Over the past 4 months, generals and admirals in Madrid, Valencia, Valladolid and Seville have been receiving "appeals" at their homes inviting them to a foolhardy military rising. The style of the new plot by the "golpistas" [activists and supporters of a far-Rightist movement to overthrow the Government] is reminiscent of General Mola's conspirative stratagem prior to the civil war.

It was 3 pm on 14 March. The colonel had just returned from his day's work in a unit in Madrid. As was his custom, he paused a moment at the front door of his home, an apartment in the center of the capital, and removed the day's mail from his mailbox.

On his way up in the elevator, he glanced briefly at the envelopes, sorting out the advertising material, a notice from his bank and a family letter. Only a white envelope of standard size, with no return address, attracted his attention. It bore a 7-peseta postage stamp with an effigy of the king and was postmarked "Buzones [Postboxes]-Madrid," but the date was illegible.

It contained three typewritten, double-spaced, pages. Responding to his initial impulse, he was on the verge of casting the sheets of paper into the wastebasket, convinced that they were merely some political party's propaganda or mail order house's advertising, when something again caught his attention. The first page was headed: "Message number 3. A Propaganda Plan by the PSOE and the Government."

Out of pure curiosity, the colonel glanced at the last page and, noting that it bore the typewritten "signature" of one who called himself "El Director" [The Director], his curiosity turned to astonishment.

The pseudonym was the same one that was used by Gen Emilio Mola Vidal, commander of the 12th Brigade at Pamplona during the final stage of the Republic, to sign the "confidential instructions" that served to prepare the "Alzamiento del 18 de julio" [18 July Rising]."



That same day, similar envelopes were received by various generals and admirals in Madrid, Valencia, Valladolid, Seville and Zaragoza. As in the case of the colonel of the General Staff, each envelope contained three photocopied pages bearing a "message" beginning as follows: "18 July 1986 will be the 50th anniversary of the historic event that takes its name from this same date. With this in mind, the PSOE, with full authorization, moral support and full funding by the Government, has just approved a commemorative project. The purpose of the plan is decisive. A settlement of accounts with (in regard to the Armed Forces), and a definitive purge of, Francoism."

Having finished his dinner, and said nothing about the matter to his family, the colonel retired to his den and detainedly reread the document. "There is to be a television campaign that will last 1 or 2 months. It will depict all the leaders of the Alzamiento (the military, the Falangists, etc) as outright evildoers, opportunists, anti-patriots and egotists. More or less indirect references to the Spanish Royal Family will not be excluded, and an effort will be made to directly and personally implicate Hitler and Mussolini in the web of the story."

The colonel was surprised by the good writing used in the "message," which far outclassed the numerous "golpista" pamphlets that had appeared here, there and everywhere in past instances. This one was more subtle, more skilfully worded, different from the crudely written, haranguing tracts calling their comrades to arms and insulting the highest authorities of the state in the vulgarest of terms, that circulated during the months prior to "23 F" of 1981.

The colonel continued reading: "The high point of this propagandistic drive against the Army that bore the brunt of the Crusade will be the showing on TV of the film: 'El vuelo del Dragon Rapide' [Flight of the Dragon Rapide]. It will be the first time the portrayal of Franco and of other glorious Spanish historical figures, leaders of the events of the Alzamiento, will be seen manipulated. The Generalissimo will be made to appear as a grim, disloyal, ambitious and vile person. In this, the film's director has received very clear instructions (from the Government): No trace of personal, military or political virtue must adorn his character."

The text was well articulated, precisely worded, and replete with facts. It seemed to the colonel that "El Director" or whoever wrote for him was no amateur.

"The aim of this campaign"--the colonel continued reading--"is a total political break with the past. It is to end with the eradication of the last vestiges of Francoism: Monuments, symbols, etc. It is even probable that the bodies of Franco and Jose Antonio will be exhumed."

On the last page--after explaining and claiming that the king was "schematically" aware of the commemorative program, "that he is not entirely

pleased with it," but that he had not opposed it--"El Director" concluded with: The goal is to reach the most drastic and outright of breaks with the past, since, in the PDOE's view, what has been done in this regard and insofar as concerns institutional changes has not been a break with the past, but rather a moderate reform, because at no time, not even in connection with 23 February, has there been a policy aimed at an all-out depuration."

Over the weekend, the colonel reread the document many times. On Monday 17 March, his thoughts more on his military career than on the dictates of his heart, he reported bright and early to his Madrid military headquarters on Calle Mayor.

He had reached the conclusion that he must do everything possible to avoid being, in one way or another, besmirched by a suspicion of "golpismo." He proceeded to Section 2 of General Staff Intelligence and handed over the envelope. "You can have this, if it is of any interest to you. It looks like a new campaign, and I want nothing to do with it. Let that be clear."

Within a few hours, the envelope had reached the hands of Lt Gen Gustavo Urrutia, the military commander of the Madrid region and repository of the Government's trust, who analyzed detainedly the closing paragraphs of the pamphlet in an effort to identify the person or persons hiding behind the pseudonym "El Director."

Immediately after asserting that the PSOE is convinced that an "all-out military depuration" has not been carried out, the author of the pamphlet states that the aim of the governmental campaign, the stages of which are detailed in the text, is a "break with the past" and a change in the form of the state.

"All of this compels one to think that the campaign that is under way, a veritable ethical and intellectual terrorism, carries a crystal clear subliminal message: A RETURN TO THE ORIGINS OF 14 APRIL 1931. The philosophy of the propaganda campaign being to show that the 18 July 1936 rising, and what has derived from it over the decades, has crushed all republican legality, what is implied is easily deduced: PREPARE THE PUBLIC CONSCIENCE FOR A CHANGE IN THE FORM OF THE STATE IN THE NOT TOO DISTANT FUTURE. In view of such an offensive, which involves psychological preparation for a real 'purge,' not confined exclusively to persons or to the institutions that have evolved from Francoism, but rather to establish the point of departure that is to lead Spain to a point of no return, we, as good Spaniards, cannot remain impassive."

The document having been analyzed, and without giving it too much importance, the regional commander took it to the chief of the Army General Staff, Lt Gen Jose Maria Saenz de Tejada. Following the usual channels, the document was forwarded that same day from Army General Staff Headquarters, in the Palacio de Buenavista at Plaza de la Cibeles, to the

offices of the CESID [Higher Center for Defense Intelligence], located some 100 meters up the avenue, on Paseo de la Castellana. The CESID, which since last Christmas had been following the moves of "El Director," resumed its investigation to find out what was behind the pamphlet and its meaning.

As soon as he received the "golpista call-up," which had been sent from Army General Headquarters, Lt Col Santiago Bastos Lourena, chief of the area of involvement of the CESID, assembled his people and instructed them to speed up the investigations begun on the basis of other evidence several weeks ago. Scarcely a few days later, he learned that the "golpista" messages signed by "El Director" were being hatched behind the bars of the Alcala de Henares military prison, where some of the "golpistas" of the 1982 23-F and 27-O risings are serving prison terms.

The CESID agents centered their investigations on two of them. Jose Enrique Crespo Cuspinera, 57, former lieutenant colonel of Artillery, member of the 7th Promotion of the General Military Academy, and former official of the Prime Ministry, and former Maj Ricardo Pardo Zancada, 51, who joined the assault on the Congress of Deputies, are the ones receiving the largest number of visitors. These two officers are also considered by the intelligence services to be the most intellectually and politically equipped among those being held in the Alcala prison.

Although the clues obtained in the investigations point towards Crespo Cuspinera and Pardo Zancada as possible inspirers of the new "golpista" campaign, it is evident that behind the pamphlets there is a wider-ranging constituency of which civilians and military personnel form a part. The military include a Mechanized Cavalry officer assigned to the Brunete 1st Armored Division. In this unit, located on the outskirts of Madrid, photocopies of the "golpista" document have been made and distributed, complying with the instructions issued by "El Director" in his "Message No. 3" as follows: "Alert our comrades and friends by distributing this text."

Little by little, the CESID is fitting together bits of evidence to complete the "puzzle" of the plot. The work is difficult, because this time the men behind the new "golpista" conspiratory effort are moving cautiously, carefully sounding out the intended addressees of their messages in advance and using ordinary mail service to avoid being identified.

"El Director" is determined not to commit any foolish mistakes this time.

Lt Col Bastos Lourena's men detected the distribution of the first "golpista call-up" a little before Christmas of 1985. In El Director's message, the "golpistas" centered their entire argumentation on Defense Minister Narcis Serra's new pay policy. The tactic is to "work" the military, using a purely corporative complaint as a basis, to create a malaise within

the Armed Forces that can serve as a culture broth for involvement, taking advantage of some supposed economic inequalities among professionals doing the same job.

Lieutenant Colonel Bastos compiled a report which he forwarded to his superior, Gen Emilio Alonso Manglano. It contained the following statement: "The 'golpistas' are trying to capture a sector of the officers of the Brunete Armored Division."

This opinion is shared by Commissioner A. R. E., the man who, from the level of the State Security Directorate, investigates the "golpista" plots to keep Interior Minister Jose Barrionuevo informed of the country's internal situation.

The State Security Directorate works with various "moles" infiltrated into the heart of "golpismo." They are military officers of low rank, who are acting as double agents, none of whom has yet been caught.

Thus, Commissioner A. R. E. was the first to find out that the pamphlets were being sent by mail to Madrid, Valladolid, Sevilla, Valencia and Zaragoza, to a group of generals, admirals and a few other military commanders in different specialities. In some cities, as in the case of Valencia, the pamphlets have been distributed by hand or deposited directly in post-boxes.

The addresses of the military officers appear to have been taken from the telephone directory, since some of the letters addressed to generals and admirals whose confidence it was being sought to win went to old addresses.

The State Security Directorate also found that, as of last March, "El Director" had sent out five messages. Document "Number 4" addresses one of the issues that most nettles nerves and jars sensitivities within the Armed Forces: "Negotiations With the ETA."

This message details an alleged Government plan to pacify the Basque Country, and an alleged negotiation with the ETA militants: "Within a maximum of a few years (a ceiling of 2 years is being mentioned), the Civil Guard and the Police would be withdrawn from the Basque Country, even ceding to the Autonomy's Police certain functions which the legislation assigns exclusively to the FOP. As for the FAS [Armed Forces], they would be reduced to a symbolic number of units, with strengths reduced to skeleton levels, and consisting entirely of Basque recruits. The Autonomous Government would be given certain rights with respect to control of the movements and public acts of those units. Further concessions are to be negotiated in the near future."

Message "Number 4" concludes with the following call for "golpismo": "The grave reality that awaits Spain (the practical shattering of its unity) would remain concealed through this vile assent and that cynical cover-up.



Once the Spanish public had assimilated this accomplished fact, total formal separation would follow within a matter of some, but very few, years: Fellow Spaniard! Act according to the dictates of your honor and your patriotism!"

To date, neither the State Security Directorate of the Interior Ministry, nor the CESID, know the exact number of persons involved in the distribution of the documents signed by "El Director" among the private homes of high-ranking military officers and within some units, like the Brunete 1st Armored Division, the Mechanized Forces of Valencia, and the Jarama Light Cavalry Brigade headquartered in Valladolid, where the documents have circulated profusely.

A few months ago, two intelligence service agents assigned to shadow Infantry Major P. J. saw him deposit, on two occasions, between 30 and 40 envelopes in the postbox at Plaza de la Cibeles in Madrid. This major was one of the signers of the "Manifest of the 100," a document of "golpista" hue signed by some 100 Army lieutenants and captains, and is an assiduous visitor of those imprisoned in the Alcala de Henares military prison for their part in the "23-F" and "27-O" risings.

Strangely, some few days after the depositing of the above envelopes in the postbox, various high-ranking military officers began receiving "El Director" messages at their homes.

Intelligence service sources have told this magazine that the content of the documents that are being distributed clandestinely is a subliminal form of fostering "golpismo." They mix real and verifiable facts with alleged secret Government plans that do not stand up under a rational analysis of the country's political reality, but that can have an effect on the minds of certain military personnel and civilians obsessed with a "return" to 18 July 1936.

Highly placed military officials concur in this analysis and assert that the "El Director" documents are trying to create a climate of unrest within the Armed Forces based on purely artificial problems, at a time when Felipe Gonzalez' Government is succeeding in driving the ghost of "golpismo" out of the public mind. The chief of the Army General Staff, Lt Gen Saenz de Tejada, shares this opinion. His responses to questions by CAMBIO 16 were limited to stating that the matter is under investigation.

The authors of the new "golpista" plot are seeking to create a state of public mind that, within the medium term, will enable them to overthrow the constitutional system, with the help of kindred political forces.

Strangely, within the past few months, a so-called "Coordinadora de Grupos Nacionales" [National Groups Coordinative Entity] has been formed in Madrid, which brings together all the political splinter groups of the Extreme Right.

The honorary or figurehead president of the Coordinadora is Retired Col Carlos de Meer, codefender of one of the 23-F "golpistas." One of the principal leaders of the entity is the Francoist Member of Parliament Dionisio Martin Sanz, architect Javier Carvajal, and FNT [National Labor Force] President Jaime Alonso.

The Coordinadora de Grupos Nacionales, which is seeking to transform itself into an "ultra" front, has been meeting recently at the headquarters of the "Afirmacion Espanola" [Spanish Consolidation] party headed by Antonio Diosdado.

The following organizations belong to this "National Front": FNT headed by Jaime Alonso; Spanish Catholic Movement headed by Jose Luis del Corral; Falangist Movement headed by Antonio Jareno; Spanish Consolidation controlled by Antonio Diosdado; Traditionalist Communion, a splinter group controlled by Sea Captain Camilo Menendez Vives, sentenced to 1 year in prison for his part in 23-F; Brotherhood of Temporary Lieutenants; National Confederation of Ex-Servicemen headed by Jose Antonio Giron de Velasco; Spanish Falange of the JONS headed by Diego Marquez Horrillo; New Spain Movement; and National Youth Group, which has an existence only in Valladolid.

Lawyer Blas Pinar is the only one who has remained outside this ultra-Rightist front. In the wake of the triumph of Jean Marie le Pen, leader of the French Extreme Right, who captured 33 seats in the French National Assembly, Pinar is thinking of again reviving New Force, which is presently converted into a cultural association, and of getting back into active politics by running for deputy in the forthcoming general elections.

Thus, it is not Pinar who stirs concern, but rather the new "golpista" plot. Currently, Santiago Bastos Lourena and Commissioner A. R. E. of the State Security Directorate have all their men out watching Madrid's postboxes. The CESID and the Ministry of Interior both want to know exactly who the new "Director" is, the man who, 50 years after the Civil War, is trying to emulate General Mola, the conspiratorial "brain" of the military rising that put Francisco Franco in power.

9399

CSO: 3548/48

## PSOE REJECTS AUTONOMY DEBATES

Madrid EL PAIS in Spanish 4 Apr 86 p 13

[Text] Madrid--The Socialist spokesman in the Senate, Juan Jose Laborda, asserted yesterday that his parliamentary group opposes a Senate debate on the status of the autonomies as comprehensive and solemn as last year's. In his opinion, "there are no important issues that make such a debate advisable," and it could advance the start of the campaign for the Andalusian Parliament. Senate President Jose Federico de Carvajal announced that he was going to send a letter to the prime minister yesterday inviting him to set a date for the debate.

During the spokesmen's meeting the representatives of the Popular Group and of Catalonia in the Senate, Luis Fernandez Madrid and Manuel Ferrer, respectively, said that they were in favor of holding a Senate debate similar to the one last year on the status of the autonomies. They first recalled that the debate had been postponed late last year because it was going to coincide with the campaign for the referendum on Spain's continued membership in NATO.

Senate President Jose Federico de Carvajal told newsmen afterwards that he "understood" that such a debate was going to be held this year, saying that he would immediately send a letter to the prime minister asking him "to indicate to me what dates in May he deemed appropriate for holding it."

Carvajal declined to voice his opinion as Senate president on whether the debate was a good idea. He merely commented "as a senator" that the proximity of the Andalusian elections and the fact that there is still no agreement on a definitive financing arrangement for the autonomous communities "detracts from the timeliness" of a debate such as the one requested by the Popular Group and Catalonia in the Senate.

## Minor Issues

Both Carvajal and the Socialist spokesman, Juan Jose Laborda, said they were against the regional spokesmen of the parliamentary groups taking part in a possible debate. The Popular Group has 11 such spokesmen and the PSOE 17.



Laborda based his opposition to a solemn debate on the status of the autonomies on his view that "there are no important issues that make such a debate advisable, inasmuch as there have been numerous appearances before ministerial committees, and the opposition can, if it wants, submit subpoenas or other motions that would bring about a debate" that is more workable and realistic.

Laborda admitted: "The Senate president is more interested than we are in holding the debate."

8743

CS0: 3548/44

## POLL SHOWS PSOE STANDING UNCHANGED

Madrid YA in Spanish 22 Mar 86 p 8

[Text] Madrid--A slight recovery for the Popular Coalition, a strong upsurge for Miguel Roca's PRD and a sharp drop for Adolfo Suarez' CDS [Democratic and Social Center] are the most significant findings of the most recent of the monthly polls that Professor Juan Diez Nicolas conducts for the OTR among a sampling of 1,200 Spaniards age 18 and over. The Spanish Communist Party (PCE) is making a slight, though not yet significant comeback. The field work was done during the 3rd week of February, in other words, before the referendum on Spain's continued membership in NATO.

As usual, the PSOE garnered twice as many votes as the Popular Coalition of Fraga-Alzaga-Segurado, 30.9 percent of the voters who have made up their minds, as against 14.1 percent for the conservatives. We should note, however, that in last November's poll the Socialists were getting almost triple the hard Popular Coalition vote, which means that the trend since then has been going in the conservatives' favor. Moreover, the so-called "hidden vote" is a factor to be considered, because it is a proven fact that an appreciable number of Popular Coalition voters are not revealing their preference so as not to be identified as rightwingers or anti-administration.

In any event, the PSOE still remains by far the dominant political force in our country. Some 23.3 percent of the electorate responded "don't know/no answer," and 11.4 percent have decided not to vote; thus, only 14.5 percent of the voters have yet to make up their minds, if the turnout at the forthcoming elections is as huge as it was on 28 October 1982, when the PSOE won an absolute majority.

As the decided vote now stands, Felipe Gonzalez is about seven percentage points away from another absolute majority; he therefore needs to take half of the undecided votes.

## The Battle for the Center

During the 3 months from November 1985 to February 1986, former Prime Minister Suarez' CDS has dropped 1.7 points, in other words, 26.6 percent of its vote total. Over this same time, Miguel Roca's reformists have gained 1.7 points, a 70.8 percent surge. Oddly enough, the decided vote for the two middle-of-the-road parties is the same, 8.8 percent of the electorate; there has merely been an apparent shift from one to the other.

The CDS disaster at the Galician autonomous community elections last 24 November, after the field work for the November OTR poll, could be one of the reasons for the decline of Adolfo Suarez' party. Another factor could be the disappearance of its leader, who has not put in an appearance at parliamentary debates in recent months and not even at political rallies during the referendum campaign.

Table 1. Voter Intentions

Party	Results	Polls	
	28 October 1982	November 1985	February 1986
AP-PDP-PL	20.7	11.5	14.1
UCD	5.3	--	--
PRD	--	2.4	4.1
CDS	2.2	6.4	4.7
PSOE	37.6	30.0	30.9
PCE	3.2	3.4	3.7
CiU-PNV and others	10.8	10.2	7.8
Did not vote	20.2	--	--
Will not vote	--	12.1	11.4
Don't know/no answer	--	24.0	23.3

#### Poll Technical Data

Sample: 1,201 individuals 18 years of age and older residing in Spain. Random by clusters and random walk.

Field: Door-to-door poll conducted between 17 and 22 February 1986.

Table 2. Breakdown of Voter Intentions

Party	AP-PDP-PL	PRD	CDS	PSOE	PCE
Total	14	4	5	31	4
Sex					
Men	15	4	4	32	2
Women	13	4	5	30	2
Age					
18-29	11	5	4	34	5
30-49	14	4	6	--	--
50-64	13	3	5	3	--
Income Level					
Upper	20	5	5	13	5
Middle	13	3	5	31	6
Lower	12	7	1	37	5
Unemployed	8	5	3	38	6
Retired	18	2	4	32	2
Housewives	13	4	4	30	2

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CSO: 3548/44

## MOSCOW-PARTY CP POLITBURO SETS PRIORITIES, AIRS CPSU VISIT

Lulea NORRSKENSFLAMMAN in Swedish 10 Mar 86 p 15

[Text] Stockholm--The APK [Communist Workers' Party] Party Board held a meeting over the weekend. Among other things, it adopted an appeal for this year's 1 May that places the struggle for peace in the foreground. It also commented on the 27th CPSU Congress.

Among other things, it said that the 27th CPSU Congress was a fiery appeal to humanity for greater efforts to force the United States to embark on the path of peace, detente, and disarmament.

The appeal also says:

"Mankind must overcome the obstacles that the forces of war are placing in the way of achievement of the Soviet peace program, which has been welcomed the world over. One of those obstacles is the U.S. plan to militarize space and turn it into a military base. Success in the struggle to stop those grotesque plans is a basic condition for a nuclear weapons freeze and disarmament in the world. Continued activity on behalf of a Nordic nuclear-free zone and a nuclear-free corridor through Europe is an important contribution to the safeguarding of peace.

"We assume that the government which will have to manage Olof Palme's legacy will take every opportunity to devote itself to positive Swedish initiatives and that henceforth it, too, will express its support for the positive peace program propounded by the Soviet Union!" (The 1 May appeal in its entirety will be published later in NORRSKENSFLAMMAN.)

#### Anniversary Drive

The party's current drive was dealt with in detail. The party board took great pleasure in totting up a number of successful results, especially those in connection with the collection for the TFV anniversary drive.

It was reported from various quarters that it is easy to collect money for the purpose of strengthening the party and NORRSKENSFLAMMAN.

As everyone knows, one purpose of the drive is to invest in a new building for the party and the newspaper. Feelers are out for something to acquire, and there is currently a very interesting possibility. The party board instructed the working committee to cooperate with the printing house and newspaper management in preparing for the move. The working committee was also instructed to continue working on the project for a new building for the party and newspaper.

#### CPSU Congress

Party Chairman Rolf Hagel gave a very interesting report on the CPSU Congress, from which he recently returned. He told about the fresh winds which are blowing and which found expression in many speeches by delegates and in specific decisions.

Hagel described the congress as historic.

He said, for example: "In the long run, it will mean big successes for the Soviet Union's people and the world's working class."

Rolf Hagel will tell NORRSKENSFLAMMAN's readers about his impressions of the 27th CPSU Congress at a later date.

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CSO: 3650/166

## SDP'S KNUD DAMGAARD, MINISTER ENGELL ON ALTERNATIVE DEFENSE

## Damgaard Initiative Gains Support

Copenhagen BERLINGSKE TIDENDE 22 Feb 86 p 2

[Article by Carl Otto Brix: "Defensive Defense Is For Us," Says the Social Democratic Party]

[Text] The Social Democratic Party is against the idea that Denmark's defense should be a superpower defense in mini form, and the party is now initiating an internal debate about making the defense defensive, for example, without submarines. The binding compromise defense agreement with the government parties expires at the turn of the year 1987-1988.

The Social Democratic Party is now setting the stage for a defensive defense, or as it is phrased by a prominent Social Democrat: "A less advanced defense."

The proposal is contained in a draft for modernization of Denmark's defense which will soon be submitted to further debate in the party's internal defense committee and after that it will be sent to the group [parliamentary] for further debate.

The Social Democratic Party has a compromise defense agreement with the government and this compromise agreement expires at the turn of this year.

Social Democratic sources tell BERLINGSKE TIDENDE that the government will definitely remain in power for the next two years and that the new compromise agreement that will be prepared will in fact be negotiated with the four-party coalition government.

When the compromise defense agreement took effect in 1984, the Social Democratic Party, and primarily the party's spokesman on defense policy, Knud Damgaard, tried to change the structure of the defense so that there could be greater specialization. There were accusations that the defense was a mini form of the superpowers' defense structure and the idea being that Denmark should drop some of the traditional sectors. Among other things, Knud Damgaard advocated that Denmark should not own submarines.



The ideas that were prominent at that time have been pursued in the Social Democratic Party's new draft, but it has been disclosed that the people behind the idea have felt themselves restricted by the "material inheritance"-- that is to say the weapons that now are already in use in the Danish military.

#### Defense Minister Backs NATO

Copenhagen BERLINGSKE TIDENDE in Danish 6 Mar 86 p 8

[Op Ed Article by Hans Engell: "We Cannot Be Both For and Against EC and NATO"]

[Text] The EC-vote provided the definite yes which was needed. Now we can go further in the cooperation; Denmark will continue to exercise considerable joint interest in the European development; we have with a great majority recognized our place and responsibility. What is also equally important is that we maintain the basis for the future strengthening of our economy and employment. All this is nice and constructive; and this throws the debate in the Folketing in January in a special relief. It was good that the prime minister did not take no to mean no, because the people, as did the government, meant something quite different.

When the smoke from the EC debate has disappeared, there is, however, reason for thorough afterthoughts for both the package's advocates and opposers. For the advocates' side we must, however, admit that we had in general neglected the EC debate; that we alone let the European cooperation appear as something that evolved around the price of butter and fish quotas and to a much lesser degree underscored the political, technological and future perspectives which this cooperation consisted of. It is also our responsibility that the European cooperation has begun to appear in the dry statistical light. It can also be generally admitted that the European debate here at home has had a much narrower scope than in other member countries--and that the price to pay has been a split understanding in which the anti-movement has had far too favorable growth conditions.

The vote must indicate that the European debate here at home has now become much more constructive, broad and forward reaching. The discussion must have content--first and foremost about how Denmark positions itself in EC politically and economically, and what we can add to the cooperation.

The vote also arouses the question about whether there is any basis at all for the so-called people's movement against EC to pursue its sour and negative efforts. This was not about a people's movement. On the other hand, it was lamentable that this fusion--which objective is a definite withdrawal of Denmark from the European economic cooperation--did not even dare say this outright to the voters; this fusion did not even have the strength to maintain that the vote was about being for or against Denmark's membership in the EC. After its defeat, the anti-movement must have outlived its role. There is no future in just saying no.

Unfortunately, the Social Democratic Party also opted to reject the package. That was both unfortunate and incomprehensible--especially since so many signals from the party's leadership indicated that there was support for achieving results from the negotiations. Both Anker Jorgensen and Svend Auken, almost the same day, said yes and no. But unfortunately, Ritt Bjerregaard succeeded with his tactical move which objective was not to support Denmark's influence in EC, but to overthrow the government. A political abuse--but also a wrong move. The polls showed that about one-fourth of the Social Democratic Party voters voted against the party's directive. That should underscore that the Social Democratic Party does not achieve strength and impact in Danish politics by listening to a leftist faction that is out of step with the great majority of the people--and has a much greater fixation on the crossover lines to the Socialist People's Party than to ensure a stable and cohesive point of reference in relation to the government parties. Such a policy does not have much future--and not at all for the Social Democratic Party.

At one time during the voting campaign, I called attention to the fact that the EC discussions were being followed with considerable interest among our allies--and also within NATO.

They were afraid that a no from Denmark might lead to Denmark's security policy and foreign policy taking a more neutral direction. This declaration excited Anker Jorgensen greatly, and it was maintained that I had said that the vote on the EC package was the same as a vote on NATO. Of course not.

But the vote on the EC package has interested our allies--whether we like it or not--and there the clue is a considerable concern--whether Anker Jorgensen likes it or not. It is very difficult for many of our allies to understand how we can at the same time be for and against--how there are strong forces within the Social Democratic Party that are both for and against membership in NATO and EC; forces that at the same time in many individual areas declare their opposition against development of the cooperation.

Both the EC and the NATO cooperation depends on a dialog between the free and sovereign nations. Obviously we have the right to adopt standpoints and expect them to be respected but if that becomes the rule rather than the exception, we can hardly blame our allies for questioning our real desire and willingness for cooperation. For this reason it is also good that the results were so clear. Neither at home nor among our friends abroad can there now prevail any doubt that Denmark recognizes its place in the cooperation and that we will seek influence and joint responsibility and characterize the development with that attitude, which is ours.

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CSO:3613/85

## RESIGNATION NOTICES TO BE RETURNED TO AIR FORCE PILOTS

Copenhagen BERLINGSKE TIDENDE in Danish 6 Mar 86 p 1

[Article by Nils Eric Boesgaard: "Pilots' Resignation Notices Returned"]

[Text] Resignations are submitted to the trade unions and not to the employers. This statement was made by the Defense Command, which within the next few days will return resignations it received from 52 Air Force pilots. For that matter, no employment regulations exist that apply to this situation.

In the coming days, 52 Air Force pilots will get back the resignations they had submitted to the Defense Command, with a notice stating that they themselves must decide to what extent they consider their demands met, and that they are for that matter entirely free to file their resignations. The pilots have utilized this nontraditional procedure in an attempt to force the Ministry of Defense and the Defense Command to accept their demand for improved working conditions and a salary level that is competitive with the civilian airline companies.

The filing of the resignations came as a surprise to the Defense Command where the chief of the personnel department, Lieutenant Colonel K.B. Nielsen, refers to the fact that resignations are normally filed with the trade union in which the resigning group in question is a member and not sent to the employer.

"There are no existing regulations concerning work rights that apply in this case to show us how we can proceed and we will therefore as soon as possible inform the pilots concerned that they themselves must take a stand on whether their demands have been met and that they are free to send in their resignations with a three months notice," says Lieutenant Colonel Nielsen.

"The stream of pilots' resignations has decreased. A total of 18 pilots submitted their resignations to leave in the first quarter while only 4-5 pilots have asked to be released from their contracts effective at the end of the second quarter."

The chairman of the pilots' union, Major N.G.R. Nielsen, states that he is in contact with Defense Minister Hans Engell and that he does not approve of the minister's most recent proposal to solve the pilot shortage by periodically releasing personnel that have gone over to the civilian airlines.

"The pilots have previously pressed hard to get this through and it was never considered a good idea before in the ministry," he added.

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CSO: 3613/83

## BRIEFS

SOVIET-MADE ANTIAIRCRAFT MISSILES FIRED--On Sunday [13 April], the Helsinki Antiaircraft Defense Regiment fired three Soviet-made point defense antiaircraft missiles at the firing range in Lohtaja. These missiles are scarce and they are not usually moved along with troops. The Armed Forces Command Staff stated that exercises with the missiles is also done rarely. The missiles were fired at targets a full 10 miles away. The targets were towed by Air Force MIG fighters. All of the missiles hit their targets. The weather at Lohtaja on Sunday was fine, so that conditions for the firings were excellent. Altogether some 250 armed forces personnel participated in the firings. The point of defense antiaircraft missiles procured from the Soviet Union are intended for protecting large areas in the near vicinity, for example the capital of the country. The firing exercises at Lohtaja will end Tuesday [15 April]. [Text] [Helsinki UUSI SUOMI in Finnish 14 Apr 86 p 10] /8918

CSO: 3617/101

## CARL BILDT, GENERAL, PEACE GROUP LEADER IN SECURITY DEBATE

Stockholm SVENSKA DAGBLADET in Swedish 11 Mar 86 p 21

[Article by Jan Thorsson]

[Text] Malmö--The 1987 defense decision is one of the most important of the postwar period. The reason is that Sweden's situation has become more exposed and that our defense resources have declined in comparison with those of the world around us.

So said Carl Bildt, Conservative member of Parliament, in a defense debate held in Malmö on Monday evening. Those participating in the debate besides Carl Bildt were Lieutenant General Carl Bjoreman; Lars Angstrom, chairman of the Peace and Arbitration Association; and Bjorn Orward, secretary general of the Voluntary Defense Organizations, among others. Social Democratic members of Parliament who were scheduled to participate had backed out.

Carl Bildt also felt that the 1987 defense decision was important above all from the standpoint of security policy, saying that it was not a question of large purchases of materiel for the Armed Forces. He emphasized that the Defense Committee was unanimous in its view that Sweden may now be affected by a big-power conflict at an earlier stage than before and perhaps even before a war breaks out. The Conservative member of Parliament warned that Sweden might become a source of instability in Northern Europe if the downward trend in the country's defense capability is not reversed.

Lt Gen Carl Bjoreman, who is military district commander in Kristianstad, felt that Sweden had become squeezed between the spheres of interest of the superpowers, the United States and the Soviet Union, and pointed out that in the long run, the situation in the Baltic Sea is not as important as that around the Norwegian Sea. Carl Bildt agreed, but also said that the violations of Sweden's borders in the Baltic show that the superpowers value their own security above our neutrality. He believes that the border violations are going to continue into the 1990's.

Lars Angstrom said the border defenses should be strengthened, but stressed that it was a matter above all of strengthening components of total defense other than the Armed Forces.



He was opposed by Lt Gen Bjoreman, who felt that Sweden would be no more than a mouthful for the superpowers if only its border defenses were strengthened.

Member of Parliament Carl Bildt was very critical of reports and proposals saying that authorities in Sweden should prepare for an occupation--for example, that police should assist the occupying force following occupation.

11798

CSO: 3650/166

## SUPREME COMMANDER URGES INCREASED LONG-RANGE FUNDING

Stockholm SVENSKA DAGBLADET in Swedish 8 Mar 86 p 12

[Article by Lars Christiansson]

[Text] The 1987 defense decision should be based on the fundamental idea that Swedish military capability can no longer continue to decline in relation to that of the world around us.

So said OB [Supreme Commander of the Armed Forces] Lennart Ljung in a speech on Friday during the TCO [Central Organization of Salaried Employees] defense conference. The OB reminded his listeners of the 1972 defense decision, which was produced by the Social Democratic government of the time:

"In certain respects, the decline in defense capability was intentional. The 1972 defense bill said, among other things (and here the OB was quoting), that 'international political developments in recent years have given the impression of detente in Europe. I (that is, the then minister of defense) therefore feel that operational strength can be allowed to decline somewhat over the next few years.' We all know that detente did not turn out as hoped--quite the reverse. But the decline in our defense capability was carried out and has continued since that time," said the OB.

"Break the Trend"

He emphasized that the trend must now be broken and said that "during the period when large parts of the world around us have been stepping up their defense efforts, the Swedish defense economy has not received any additional money to speak of."

General Ljung pointed out that if Sweden is to be able to break that downward trend, the defense economy will require an increase of at least 3 percent annually.

"It can scarcely be called surprising that the increase must be of that order of magnitude, since that is approximately the rate at which large parts of the world around us have long been developing their military strength. Growth has been even faster in other places."

## Stronger Air Force

When the OB discussed the threat that may be directed at Sweden, he attached particularly great importance to the increased range of aircraft in both East and West. He also pointed out that the Warsaw Pact's strike units "have increased" markedly in number. At the same time, he pointed out that NATO's ability to send units into the Nordic area "has improved sharply."

Gen Ljung stressed the importance of maintaining and strengthening Swedish air capability. He also emphasized that Swedish antisubmarine defenses must be strengthened. He said:

## Threat of the 1990's

"Perhaps it can be said here that the threat of the 1990's is already upon us in the form of intrusions that cannot be accepted. It is a question of confidence in what we can achieve in both peacetime and wartime--a question that has become an exceedingly important test of our will and ability to continue pursuing our policy of freedom from alliances and of neutrality."

The OB concluded by emphasizing that the 3 percent he has requested in defense appropriations "are not what is usually called a military ideal level. Instead, they reflect an attempt to keep Swedish defense strength from falling farther behind during one 5-year period. This is a matter of breaking that negative trend, thereby making the Armed Forces a tangible support for the security policy aimed at continued stability in the Nordic area, and of creating for ourselves the possibility of staying out of a war if one should break out after all."

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CSO: 3650/166

## BRIEFS

PILOT DRAIN DECRIED --Minister of Defense Roine Carlsson said during Parliament's question period on Thursday that civilian airlines will not be allowed to recruit more than 10 Air Force pilots in 1987. The minister of defense said: "But of course, it is not enough to try to protect the Air Force only through such measures as that. Civilian pilot training must be stepped up. Benefits for military combat pilots need to be improved, and when those pilots reach the age of 40, they must be given better opportunities to fly planes other than combat aircraft." Roine Carlsson explained that for reasons of security, it is not possible to let the airlines "plunder the Air Force's pilots." [Text] [Stockholm SVENSKA DAGBLADET in Swedish 21 Mar 86 p 6] 11798

ELECTRIC POWER GRID VULNERABLE--Preparations for dealing with lengthy power outages are wretched in many parts of the country, according to Parliament's Defense Committee, which is now demanding that the government do something about it. Committee members from all parties note that reports concerning the vulnerability of the electric power grid have not yet led to any proposals by the government, even though those reports have drawn attention to poor preparations for coping with lengthy power outages. According to the Defense Committee, those responsible for an activity important to the community must see to it that standby generating sets are in place. This applies to firms, municipalities, public utility services, and central government authorities. One of the most important reasons why standby generating sets are often lacking in important locations in the country is that so far, it has been uncertain who should be responsible for preparedness. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 19 Mar 86 p 9] 11798

CSO: 3650/166

## EYSKENS ON BUDGET DEFICIT, INSTITUTIONAL REFORMS

Brussels L'EVENEMENT in French Mar 86 pp 29-33

[Interview with finance minister Mark Eyskens by Jean-Claude Ricquier: "Mark Eyskens: Checking the Crisis?"; date and place not given]

[Text] Investments have resumed, exports are on the rise. Inflation has dropped from 9.8 percent to 4 percent in 3 years, unemployment has leveled off and we observe an increase in employment figures. All these are positive factors. But Belgium still has an intolerable deficit which, if unchecked, may well bring to naught all the efforts made in recent years. We must get our aim right. Minister Mark Eyskens promises to do just that. "I do like challenges," he confided.

[Question] Almost 5 years ago, you were leaving the Ministry of Finance. Now, you are back in charge again. Is that something you wanted?

[Answer] Actually, it is. The Ministry of Finance is a nice department. The administration is highly qualified. What you find there is the tradition of great civil servants. And, all things considered, it is a department that is not much politicized, where the personnel is extremely loyal to the minister. I would add that, at the Ministry of Finance, you are always at the heart of problems, which are not simple, especially today. To accept this portfolio is like accepting a challenge. As a chess player, I do like challenges, although I am aware of the extraordinary difficulty of the one I am accepting now.

[Question] Is it politically significant that a CVP member should replace a PVV member at the Ministry of Finance while a PSC member is replacing you at the Ministry of Economic Affairs?

[Answer] It so happened that Mr Grootjans, a personality respected by all, indicated that, for personal reasons, he no longer wanted to be part of the government. He had also been extremely reluctant to replace Mr De Clercq in January 1985. At the time, Mr Martens had a hard time convincing him to join the government. Well, the finance portfolio became free. Mr Verhofstadt then took charge of the Budget, a department which must confront most painfully the public finance problem. And I ended up finance minister. But Mr Verhofstadt and myself were fully aware of the problem caused by the separation of the Budget and Finance departments, a separation that was the unavoidable result

of our hallowed tradition of achieving political balance. That is why we signed an agreement, not to share our sphere of activities, but to pool our efforts and cooperate. In other words, we are going to draw up and implement the budget together.

And, together, we shall decide on public expenditures. I wish to say that I have every intention of making sure that this cooperation takes place as harmoniously as possible.

[Question] How would you judge the state of our public finances today, compared with 5 years ago?

[Answer] Over a 5-year period, figures must be multiplied by two or three, for receipts as well as for expenditures and especially for the deficit. Nothing shows more clearly the drift of our public finances since 1981. Of course, it is due to a large extent to the international crisis: in 1981, we had 250,000 unemployed; we now have 500,000! We are all aware of these figures, there is no need for me to expatiate upon them. But we managed to check that drift between 1983 and 1985. We improved most economic indicators. This year, the balance of payments will show a surplus. Investments have resumed, exports are on the rise, inflation has dropped from 9.8 percent to 4 percent within 3 years, unemployment has leveled off and we must even point out that employment figures are increasing. All these, therefore, are positive factors. But we still have an intolerable deficit which, if unchecked, may bring to naught all the efforts made in recent years. Such a canker in the very heart of public finances may well some day make any policy inoperative.

In addition, we are now accumulating a veritable mountain of debts for future generations; we have already reached 5,000 billion Belgian francs, i.e. more than our annual gross national product. Such a debt also amounts to a virtual tax which further increases the burden of taxation. We must therefore get our aim right, especially since, with Italy and Ireland, Belgium is the Community member country where the situation in this respect is the most serious.

[Question] But how can we get our aim right?

[Answer] The government has given itself 2 years to strike a decisive blow. Measures to reduce the deficit from 11.6 percent to 8 percent of the gross national product by the end of 1987, and to 7 percent by the end of this legislature must be taken now. When we reach the 7-percent level, we shall be on a par with the European average.

[Question] How would you explain that the government's estimate of the last budget could be off by some 60 billion?

[Answer] The government's error in estimating expenditures was only minimal--0.45 percent. An 8-billion error on a budget of 1,800 billion, that is insignificant. But we made a gross error in estimating receipts. That was due to considerable fiscal losses which themselves resulted from declining inflation and interest rates. Plus an undeniable overestimation of receipts on the part of the government some 18 months ago, when the 1985 budget was



drawn up. Indeed, we should realize that, when the ministers are meeting around the table, they are sorely tempted to believe any government member that "promises" receipts in excess of a just estimate... As we can see, it is dangerous to yield to such a temptation since, in the end, facts will always prevail!

[Question] Four years after the fact, how do you judge the advance payment in full discharge of the real-estate tax, which was established then?

[Answer] On this point, my conclusion is the same as my predecessor's. Increasing the advance payment of the real-estate tax from 20 to 25 percent, which amounted to payment in full, was a measure that turned out to be unprofitable for the Treasury. I must acknowledge that it is the State which ends up paying for the increase in the advance payment, because interest rates have risen of "failed to decline." As a result, as soon as we have again a satisfactory budget surplus, I would tend to be in favor of reducing the advance payment of the real-estate tax. However, we have no intention of changing the fact that this advance payment is made in full discharge of the tax.

[Question] What is your policy concerning the replacement of the Monory-De Clercq law by the retirement-savings account?

[Answer] Your question comes at the right time. The government's statement provides for the merger of two bills: one from the Liberals and the other from the Christian Socialists, the Dupre-Cooreman bill. The Christian Socialists are therefore just as much in favor of a retirement-savings plan as the Liberals. On this point, Mr Verhofstadt and myself are in full agreement and the bill is practically ready. The creation of a retirement-savings plan was part of our election platform: we kept saying so during the whole campaign. Therefore, I do not understand why some media have been suggesting for some time that the Christian Socialists intend to withdraw the bill. There is no question of it. A few provisions still have to be finalized, especially concerning the date when this new legislation will come into force. But I believe that this can be done progressively so as to reach cruising speed by the end of the legislature. If the bill is passed in 1986, we can implement it in 1987 if the budget allows us enough room to maneuver.

[Question] In view of 1985 figures, wouldn't you say that it is quite unrealistic to expect to be able to limit our budget deficit to 7 percent of the gross national product within 2 years?

[Answer] This is of course an essential point. It was much discussed at the Stuyvenberg negotiations. I shall say again that our goal is 7 percent by the end of 1987 and 8 percent by the end of the legislature. But this is of course a very ambitious goal. Nevertheless, I believe that this policy must be implemented as soon as possible and with the greatest determination. There is a huge gap between our position and that of the countries around us. We cannot allow that to last. Our government can definitely bank on public confidence, as the latest elections have just shown. We must take advantage of it to persuade public opinion that the State cannot go on financing close to one third of its expenditures through borrowing. As far as the debt is

concerned, I wish to make it very clear that I intend to negotiate other formulas with financial institutions, so as to replace short-term debts with intermediate- and long-term debts. But we must at all costs avoid interfering with the delicate mechanism of the investment market.

[Question] In your latest book, "La Source et l'Horizon," you denounce the "it-ization" of our society, by which you mean that the most impersonal pronoun, "it," which never stands for a person, has become the subject of all our verbs... Yet, wouldn't you say that, in the past 5 years, the government's action has become far less impersonal than it used to be?

[Answer] That is true. But my observation was of a more general nature, referring to the post-industrial society as a whole. Because I do not see any contradiction, I say not any at all, between a less impersonal power and the depersonalization of individuals. The average citizen actually no longer understands how our society is working. He is overinformed, but this excess of information is so chaotic and dishevelled that it is increasingly akin to disinformation. As a result, the citizen is subjected to the reign of the "impersonal" or the "non-person." This alienation is characteristic of the end of the 20th century. In the 10 years or so that I have been a member of the government, I have observed, alas, that this evil goes increasing. And I have also observed that it is far more widespread in our European democracies than in the United States or in Japan. We do see that the economic crisis goes on in Europe, whereas it was never experienced in Japan, and it was successfully fought and brought under control in the United States. This is why I think that what we are calling economic crisis is much less of a crisis and much less economic than we have become accustomed to say. "It-ism," which is the source of the alienation I just mentioned, makes of the European citizen both an exile in his own society and what I would call an orphan who has lost God. Indeed, God is replaced by the blind forces of nature. For their part, the media impose upon the people the belief in a sort of simple-minded scientism which is still that of the last century. By contrast, what is now emerging in the most advanced circles of scientific research is the uncertain, the unforeseeable, the indescribable, and eventually mystery.

[Question] Are you saying that if what we cannot know or foresee is one of the components of reality, mystery might well be one of the components of truth?

[Answer] Exactly. We, and I the first, used to believe that mystery was the result of our ignorance. And God then had to be the natural preserve of a mythology about to become extinct. But present-day scientists, especially physicists, are discovering that there is an irreducible residue of inexplicable, a residue that is probably the very foundation of the real world. This, among other things, is what I wanted to bring out in my book.

[Question] In an interview with Henri Vellut, in L'EVENAIL of November 1984, you were earnestly calling for a reform of our electoral system. You no longer mention it at all now. Why?

[Answer] Oh, I would be only too glad to talk about it. It is still one of my pet projects. And I was also pleased to note that Jean Gol and I share the

same views on this. My idea in this respect is simple: we should adopt for legislative elections the same system that we have adopted for European elections. One large Flemish district, one large Walloon district, both overlapping in Brussels. After that, we would just have to settle on the system to adopt for our German-speaking compatriots. Second idea: regional and community councils must absolutely get out of the National Parliament. In my opinion, Flanders, Walloon and Brussels are entitled each to their own parliament, since they already have their own government.

[Question] That would also mean other representatives?

[Answer] Of course, but that does not mean that there would have to be as many of them as now. Note that the United States Senate has 100 members. Why do we need 212 deputies and 187 senators? As far as the budget is concerned, this could perfectly be an even deal. The present system is unwieldy and confusing: elected representatives spend their time running back and forth between assemblies. National ministers keep having to go to their regional councils to make up the numbers. All this must be changed. And as for the National Parliament, I would add that with a system of two large districts and a reduced number of elected representatives, the House and the Senate would again become true legislative assemblies. Today, district problems, i.e. voters' problems, claim far too much of our representatives' time. With districts of the size of Flanders and Walloon, this situation would automatically be eliminated because elected representatives would no longer know their constituents. That would be all to the benefit of their legislative functions. And that would make them more independent from lobbies, pressure groups and even political parties... In my opinion, that would be the most effective means to alleviate the ills of "particracy," which all agree to censure. And it would also enable parliamentary group leaders to recover their true political role, as they do in the United States, whereas in Belgium it is party chairmen who have the most extensive power. In brief, I believe that this simple electoral reform, which has already been made for European elections, would enable us to achieve a number of objectives that we have been pursuing in vain for years, and in particular to restore its full value to Parliament.

[Question] After being prime minister, as you have been, is it painful to be again a member of the government without being its leader?

[Answer] It is not at all painful for me. I became prime minister under very difficult circumstances, and I found that it is a very difficult job. At worst, it can drive you crazy... On the other hand, the Ministry of Economic Affairs was a source of great satisfaction, in spite of so many well-known problems. Here, at the Ministry of Finance, I would like to make a number of reforms. But that takes time: in 1 year, you can't do anything. I would say that the acceptable minimum is the normal period of a legislature: 4 years. If I stay here until 1989, I believe that I shall be able to do some good in reorganizing public finances. But there is another reform I would also like to tackle: a simplification of taxation. I expect to get soon the government's approval to create a royal commission to that effect. That, I believe, is indispensable. For instance, do you know that the full-size model of our tax forms must include 11,000 elements? That is quite excessive. Now,

it is perfectly conceivable that many people could be exempted from the obligation of filling any tax form at all. That would be the case, in particular, for Belgian citizens whose income is the same every year. Once these figures are in a computer memory, there is no need to ask taxpayers to report them again and again.

[Question] When all politicians in power, and the minister of finance first of all, declare that fiscal pressure has become intolerable, wouldn't you say that tax evasion amounts to self-defense?

[Answer] Tax evasion can never be equated with self-defense. All laws, even the bad ones, are passed by Parliament. You must therefore convince the parliamentary majority to pass good laws, or to change those that are judged bad. This is what is meant by State under the law; but it is obvious that with an average fiscal pressure of 50 percent, and up to 72 percent for individuals in the highest brackets, plus local and solidarity taxes, we arrive at a situation where some citizens keep only about 10 percent of their income! That is of course intolerable. Hence our policy to reduce public expenditures, which should lead to a reduction of taxes. But it should be fully understood that one does not go without the other. Public opinion will have to accept a reduction in State expenditures, which means that many Belgians will experience a reduction in their salaries, their family allowances, i.e. their income. But how far should we go in reducing our expenditures? In my opinion, as far as our three largest neighbors: the Netherlands, France and West Germany. In other words, we should arrive at a situation where the Belgian State would not spend more per capita than what is spent in these three countries. The competitiveness standard which we set under Martens 5 yielded good results. I therefore propose that we should now set a budget standard in reference to the French, Dutch and German situations. This, I believe, is something we can perfectly well achieve: after all, the average standard of living of the West German is higher than that of the Belgian...

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CSO: 3619/37

## EXPERT ON EFFECT OF LOWER OIL PRICES ON ECONOMY

Brussels LE SOIR in French 21 Mar 86 p 7

[Report on interview with Paul Kestens, professor at the Free University of Brussels, by Martine Vanden Driessche: "Consolidate the Debt, Manage Disinflation: Belgium at the Hour of Inexpensive Oil"]

[Text] Everybody has had a chance to notice it: thanks to the combined effect of the decline in the price of crude oil and the drop of the dollar, purchasing power has markedly improved... The minister of finance feels that the integral benefit of the decline of the energy bill should go to the households in order to produce growth in consumption and, with the multiplier effect, a growth in the gross national product. But will this additional consumption take place exclusively to the benefit of Belgium? And what are the overall consequences for Belgium of the "present" of the oil producers and of the Americans? We asked Professor Paul Kestens, of the Free University of Brussels, to draw us an economic profile of the country as foreseeable in 1986.

But first of all, let us recall that Mark Eyskens has assessed the drop in Belgium's energy bill compared to last year at 60 percent, solely due to the fact that the dollar and the barrel price of crude are declining at the same time. That 60 percent represents a sum of 210 billion francs which he feels should go entirely to the consumers. Who, thanks to the increase in their consumption and due to a multiplier effect, will contribute to economic growth. It remains to be seen, of course, as a not unusually pessimistic economist suggested, what direction this consumption will go. If the public uses the money it saves when filling up at the pump or on its household fuel bill to go to Spain and buy Japanese videotape recorders, then the multiplier effect will spin its wheels. But that is a question which is impossible to answer. Only the enterprises will participate in this new growth thanks to their investments, the volume of which is expected to be up by 7 percent this year as against 4.5 percent in 1985.

Having said this, one will have to see whether the government will not, as we have already noted earlier, have certain vague desires to raise the excise tax on petroleum products. Mark Eyskens said no, and he appeared relieved to note that Jacques Delors' proposals only involved the prospect of harmonization of the European tax system: hence, he said, it does not involve an urgent current problem and the European ministers of finance took note of this during their meeting early last week. Moreover, the government declaration is



definite on that point: no tax increase. Having said this, it appears that the minister of finance does not exclude the possibility of raising the excise duties a little if the price of oil were to drop too far. And, according to Professor Kestens, this would not necessarily be a bad thing if it made possible economic policy options, such as maintaining the value added tax for construction at 6 percent or indexing the tax brackets. Because in Professor Kestens' opinion, the decline of the energy bill will have a certain number of consequences for the Belgian economy.

First of all, because the international environment, which we are very sensitive to because of the degree of openness of Belgium, has improved noticeably: thanks to the decline of the price of oil, of the dollar, but also to policy coordination among Western governments, under the impetus of the United States. A coordination which can only be fruitful but which nevertheless is limited, specifically at the level of the exchange market. But the opening of the Belgian economy toward the outside world, which was negative in an inflationary context, is positive today because, in relative terms, we benefit more rapidly and to a greater extent from the improvement of the international context... Thus, over the last 6 months Belgium's terms of trade, that is to say the export prices in proportion to the import prices have improved by 3 percent, or twice as much as in Germany.

#### Favorable Competitiveness

On the subject of the competitiveness of enterprises, in the place of honor today, Minister Eyskens figures that the problem has been virtually removed by a considerably reduced rate of inflation. The problem should rather be examined sector by sector, enterprise by enterprise, and including a comparison with the FRG, France, and the Netherlands, our main trade partners, he said. And for Paul Kestens, the reports produced by the National Bank and the FGTB [General Federation of Labor of Belgium] show that in fact the wage cost is not the only explanation for whether Belgium's position is competitive or not. To him, the norm should not be the sole reference element guiding the general economic policy options. It should only indicate the risk of slipping.

In the current context, given Belgium's degree of openness and the rapid transmission of foreign influences, Paul Kestens feels that competitiveness will be more favorable in Belgium than abroad, even though they benefit from the same conditions there. This more rapid domestic adjustment is due to the more rapid indexing of domestic prices.

And the deceleration of inflation will automatically have beneficial effects and will make it possible to increase the maneuver margin for the income policy... On the other hand, the cost of immobilization of capital could be less favorable for our enterprises than for foreign enterprises in spite of the decline in interest rates... And it involves an important factor of profitability of enterprises.



## Debt Consolidation

The pressure on the exchange market is such, explains Professor Kestens, that it is necessary to be cautious in lowering interest rates. The reduction takes place by stages and with delay and, given the expected level of inflation, the real interest rate is 7 percent, or higher than last year and 1984. It will be possible to reduce the real rate only a year from now, or a little later...

This is the reason why public finances should not benefit unduly from the current situation. During periods of sharp disinflation, those who lose are those who are indebted. If one can consider that the new situation will have favorable consequences on current debts (deceleration of the growth of wages paid to civil servants, of social security transfers, less unemployment), and at the level of the foreign debt, it will at first be negative domestically with regard to the public debt. Today, the average interest rate paid on the public debt as a whole is 9.5 percent. Hence one should consider renewing the loans at more favorable rates, but progressively. For 1986 and 1987, added Paul Kestens, the drop in inflation will not have a significant effect on debt service. And the reduction of the net balance to be financed, expected to be 210 billion francs, will not take place automatically: adjustment measures will have to be taken. Which ones? Given the fact that those 210 billion francs net in reality amount to 300 billion, Paul Kestens reached the conclusion that action must be taken on the large units, and specifically on the most important budget, that of the public debt for which means must be found to accelerate the decline in the amounts to be spent. In other words, a consolidation should not be excluded. But this significant change can take place only if one is certain that the results in the coming years will be sufficient to maintain the confidence of the public and to ensure the credibility of the system over time.

8463

CS0: 3619/39

## LOSSES OF COCKERILL-SAMBRE GREATER THAN EXPECTED

Brussels LE SOIR in French 15/16 Mar 86 p 8

[Article by Guy Depas: "The 1985 Abyss for Cockerill-Sambre Deeper than Expected: 1.3 Billion Francs"]

[Text] It is said that Cockerill-Sambre did not suffer a loss of 6 billion francs last year as had been announced at first, but of 7.3 billion francs. As a matter of fact, the realization of certain assets such as participation by the company in the capital of Kloeckner (FRG) and other special operations apparently did not produce the expected return.

On the other hand, prospects for 1986 are looking a little better than expected: in addition to its direct effect on the enterprises' production costs, the drop in the price of oil combined with the backward surge in the rate of the dollar, makes it possible as a matter of fact also to reduce the supply costs for raw materials and coal.

Enough to climb back up the slope? Against all expectations, optimism is not unconditional among the management of Cockerill-Sambre.

One should stop, they say, assessing the company's situation in the light of its operating account. In a sector where the market is constantly in regression, the future is assessed by comparison. And the comparison is likely not to be flattering!

The spontaneous reduction of costs will not be any different at Cockerill than elsewhere: the European steel industry as a whole will benefit from it. But, while Cockerill-Sambre needs it to survive, some of its competitors, whose accounts are balanced or who are making profits, will naturally be tempted to exploit this new advantage, to emphasize their aggressiveness on the markets.

Concessions on prices? As a matter of fact, given that their costs are going down there is nothing to prevent profit-making enterprises from attempting to increase their market shares by reducing their price scale. An argument which the clientele is of course sensitive to and which the European Commission would be hard put to object to in fact if not legally. As, furthermore, the trade agreements among steel manufacturers -- Eurofer in the lead -- are much more a crucible for ill-feeling than anything else...

Let us assume -- a seemingly absurd hypothesis -- that everyone agrees to avoid relighting the price war, then the battle would be shifted to the level of investments. Investments which the richest would be able to finance themselves and which the others, like Cockerill-Sambre, would be unable to agree to without soliciting aid from their governments, which henceforth is prohibited by the EEC.

In either case, it would cost the Walloon steel industry some teeth: a reduction of prices would immediately and probably forever remove the hope of making it profitable; and, by allowing itself to be outdistanced in technical terms it would see its future blocked in time.

Despair? Not necessarily. Keeping an eye on the accounts and the strategy of its competitors, the Charleroi-Liege company must necessarily analyze what the main difference is between itself and them. Now, it turns out that the difference lies primarily in the weight of the wages, that is to say in the cost per hour of work.

Raymond Levy, who succeeded Jean Gandois at the head of the enterprise, has not kept it a secret lately that the restructuring of the group will not make it possible to avoid new social sacrifices. And this, in addition to all possible savings on operational costs.

But will it also be necessary to touch the wage level? It is a possibility feared all the more in union circles as the government, which has special powers at its disposal relative to the setting of remunerations in national sectors, could come to the rescue.

In any case, it will not be long before the debate on the future of Cockerill-Sambre will be reopened. It could even be telescoped with the debate demanded by the situation of the Limburg coal mines. Still, let us think ourselves lucky, the Walloon steel manufacturers note, that henceforth Flanders can no longer deny that it needs a counterweight.

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CSO: 3619/39

## LARGE TRADE DEFICIT, OVERHEATED ECONOMY BRING FAROES CRISIS

Stockholm DAGENS NYHETER in Swedish 21 Mar 86 p 12

[Article by Christian Palme]

[Text] Copenhagen--An unacceptable deficit on current account, an overheated economy, and reckless overfishing--those are the conclusions reached in a Danish report sounding the alarm over economic developments in the Faroes. The report was published on Thursday.

The Faroes are a self-governing country within the Kingdom of Denmark. The isolated group of islands in the North Atlantic has its own Parliament and its own government and makes its own laws. In general, only foreign policy and the courts are under Danish control.

It is the Danish prime minister's advisory committee on the Faroes that is now setting a new fire under the debate over the economic condition of the small island nation, which has just over 40,000 inhabitants.

## Large Deficit

Although there has been improvement since 1984, the deficit on current account remains completely unacceptable, writes the committee. The deficit totals 476 million Danish kroner (about 405 million Swedish kronor). On a per capita basis, that is twice as high as the deficit in the Danish motherland. And in this connection, it needs to be remembered that at 4.6 percent of GNP, Denmark has one of the highest current account deficits in the Western World. The deficit in the Faroes is nearly 9 percent of GNP. The corresponding figure for Sweden is just over 1 percent.

The total indebtedness of the Faroes is also far higher than that usually accepted in other industrialized Western countries. Its total foreign debt comes to 3.5 billion Danish kroner, or 65 percent of GNP.

The Danish Government has no formal right to intervene in the internal affairs of the Faroes, but the committee writes gravely that serious intervention is now needed to restore balance to the Faroese economy.

## Fishing and Subsidies

The entire Faroese economy rests on two pillars.

One is fishing and fishing products, which account for over 95 percent of the country's export earnings. The other is a complicated network of government subsidies for fishing, investment in vessels, transportation, and the filleting plants where the fish are processed for export. A very large share of the national economy is based on a sort of "round robin" with the system of subsidies at its center.

Just as Swedes and Danes occupy themselves with tax planning, so the Faroese concern themselves with "subsidy planning," the main goal of which is to maximize private income without regard for what is good for society. Among other things, subsidy planning has led to a 50-percent increase in the Faroese fishing fleet since 1975, the result being severe overfishing in Faroese waters.

The Danish committee stresses the danger that the very foundation of the Faroese economy may disappear if overfishing is not halted. The number of fish being caught today, especially cod and pollock, is far higher than marine biologists consider defensible. The biologists feel that the fishing fleet should be reduced by about 40 percent.

But the head of the Faroese Government, Social Democratic Prime Minister Atli P. Dam, is more optimistic than the Danish committee.

"The advisory committee consistently adopts an overly pessimistic line. The deficit on current account, for example, turned out to be only half as big as the committee had predicted last summer," says Atli Dam.

11798

CSO: 3650/166

## SMOOTH TRANSITION FROM TRADE MONOPOLY TO PRIVATE ENTERPRISE

Copenhagen INFORMATION in Danish 24 Feb 86 p 8

[Article by RB: "Greenland's Self-Awareness Prospers in Private Enterprise"]

[Text] Largest Firm Greatly Exceeds Turnover in Previous KGH

They are young; they are fashionably dressed in the latest West European designer clothes and outside the office building with a fantastic view over Nuuk's (Godthab's) Atlantic wharf are two large Toyota cars of a model that is very rarely seen in Greenland.

The 36 year old Anders Brons and the 31 year old Hans Pavia Egede represent a new factor in the young Greenland that is increasingly showing more self-awareness: the private enterprise.

Anders Brons has business training and is a former fisherman, and Hans Pavia Egede, who previously ran an auditing firm, joined forces 1 January 1985 and formed the company Egede and Brons, Inc.

Today, Egede and Brons have many branches and a turnover of about half a billion kroner annually and it is the largest company owned by Greenlanders in the private sector. For comparison purposes, the turnover in KNI's (the former Kongelige Gronlandske Handel) [Royal Greenland Trade] production and export department, called Pro-Eks, is "only" 600 million kronur a year.

Egede and Brons operate, among other things, six large private shrimp trawlers, which they also have shares in, with a total catch of 5,000 tons of shrimp in 1985 and approximately 300 employees.

The group also operates the sales organization Polar Seafood that handles the distribution and sales of Greenlandic fish products; the group runs a seine net plant in Nuuk; the group is behind a newly opened shipping company, Polar Line, which has started competing with the Kongelige Gronlandske Handel which previously controlled the market alone and now has been taken over by the home rule government and is known under the abbreviation KNI.



Egede and Brons cooperate with the Esbjerg companies Blue Water Shipping and Claus Sorensen, Inc., with the Polar Line. The new firm handles the Greenland fish products in Hirtshals and Hanstholm.

The KNI is a monopoly of the shipping from Denmark to Greenland on the opposite route. This fact made Egede and Brons start in the summer which has yielded good economic results.

"We formed Polar Line because we disagreed with KGH's rate policy. In the summer of 1985, we decided to make the jump and we chartered a freight vessel. Although we were opposed by the KGH, we could not get rent KGH's materiel in the Nuuk harbor, among other things, and it was well that we made five more trips during the second half of 1985," Egede told RB.

Economically, this first private freight route between Greenland and Denmark has been an enormous success. According to Egede and Brons, the six trips in the past year saved the trawlers' owners approximately 5 million kroner in freight costs--and on the average 700,000-800,000 kroner per trip.

Egede and Brons utilized the consequences of this success and decided to purchase a cooler/freezer vessel, "Polar Nanok," for 23 million kroner.

The background for this profitable freight route is simply that the Polar Line charges 2 kroner per load while KNI charges 3.30 kroner per load. The Polar Line is able to maintain this price although the shipping company is not allowed to carry cargo from Denmark to Greenland as a result of the KNI monopoly.

One reason for this low price is that the Polar Line ships are built compactly and thereby they have greater capacity than the KNI ships, as the fact that KNI must bring in money to cover the company's obligations that are run with a deficit, such as the provision of goods to villages and outlying districts.

"It is clear that KNI cannot tolerate that we, the miserable trawlers, have no comprehension of cargo transport, have shown that we are able to do so much cheaper. On the other hand, we are careful about how big a share we take from KNI. If our share becomes too large, the KNI ships soon begin to sail half empty from Greenland to Denmark and that could be a political measure against us," says Anders Brons.

He adds that many of the small trawler owners are afraid to bypass KNI for fear that it might affect the fishing licences which are distributed by the home rule administration.

Instead, Egede and Brons have offered KNI cooperation: Polar Line will transport KNI's goods from Denmark to Greenland for a fee which is half of what KNI itself charges. The KNI has announced that the offer is under consideration.

If the offer is not accepted, Egede and Brons will attempt to transport cargo from Denmark to the Faroe Islands and Iceland or the U.S. East Coast.

Hans Pavia Egede and Anders Brons are somewhat concerned about the future of private enterprise in Greenland where two-thirds of the work force are employed in the public sector--especially in KNI which operates fishing trawlers, slaughter houses, fishing companies, bakeries, hotels and restaurants, sea transport services, the post office, the property administration and trade.

"I cannot say that the home rule government does exactly encourage private enterprise," says Anders Brons.

"KNI is, for example, currently building a large supermarket in Nuuk, although we have all we need with the existing ones--exclusively with the political objective of ousting the private stores," says Anders Brons.

Egede and Brons add that the home rule government buys up the few private enterprises that remain on land and that the home government's distribution of licenses also favors trawlers which KNI has shares in.

Nonetheless, Egede and Brons are not participating in the current efforts to form a new industrial party which the chairman of the Greenland Trade Union of Fishermen and Sealers and Whalers, Nikolaj Heinrich, is undertaking.

"This will be a party that works too closely for the interests of the fishermen and the sealers and whalers. Such a party will not last long. It is best to establish a cooperation with the existing parties which in return must be more favorable to business," says Anders Brons.

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## LOSS OF FOREIGN CONTRACTS CAUSES CONCERN AT SIEMENS/KWU

Duesseldorf WIRTSCHAFTSWOCHE in German 14 Mar 86 pp 146-153

[Article: "Business is Slow"]

[Text] Dreams of large-scale orders have been broken or frozen. Kraftwerk Union, the Siemens subsidiary in Muelheim, is wringing its hands in search of follow-up orders.

On 25 February 1986, the road still seemed to be clear for the expansion of nuclear energy in the People's Republic of China: Claus Berke, the head of Interatom, a wholly-owned subsidiary of Kraftwerk Union AG (KWU) of Muelheim, signed an agreement in Beijing concerning technical and scientific cooperation in the field of nuclear engineering. The parties to the agreement are the German Kerntechnische Gesellschaft (KTG) on the one hand and the corresponding Chinese company CNS on the other. But since Berke also currently holds the office of chairman of the board of KTG, it thus appeared possible that KWU board member Hans Frewer, also traveling in the People's Republic, might return home with a five to six billion mark contract for the construction of a new nuclear power plant.

No Customers

The Trend in Orders at KWU from 1982/83 to 1984/85\* (in billions of DM)

Orders	1982/83	1983/84	1984/85
Incoming orders	8.0	6.7	6.1
Domestic	7.0	5.7	5.2
Foreign	1.0	1.0	0.9
For nuclear power plants	7.1	5.7	5.2
For fossil fuel-fired power plants	0.9	1.0	0.9
Order Inventory	30.2	29.5	24.1
Domestic	24.8	24.3	18.4
Foreign	5.4	5.2	5.7
For nuclear power plants	27.1	26.3	20.7
For fossil fuel-fired power plants	3.1	3.2	3.4

\*Fiscal year from 1 October to 30 September. Source: business report published by Kraftwerk Union AG

After all, the first nuclear agreement between the FRG and China dates back to 1984, and KWU was convinced that "the People's Republic of China is striving for an installed capacity of 10 gigawatts of nuclear energy as early as 1990. This corresponds to approximately eight Biblis-type reactors." A decision was made to construct a nuclear power plant with two 900 megawatt units was already concluded at the beginning of 1985 for the Guangdong province bordering Hong Kong which is also to supply power to the crown colony--but a British/French consortium won that race.

Even that was not enough to dampen the optimism of KWU: "The Chinese," said KWU head Klaus Barthelt at the end of February 1986, "think a great deal of German technology, even though matters progress much more slowly there than we would like." At the moment, nothing at all is happening (WIRTSCHAFTSWOCHE, Nov/1986), so one of Barthelt's statements seems nearly prophetic: "Much is written only in the stars and nothing is more embarrassing than to shout hurrah too soon."

There is really nothing much for KWU to shout about. The company does build particularly reliable and powerful nuclear power plants--but not very many. Of the total of 357 units which were on line in the western world by the end of 1985, 19 had been built by KWU--and only three of them were outside the FRG. In 1985 three nuclear power plants, Grohnde, Unterweser and Grafenrheinfeld, each exceeded the world's top figures for annual production of electricity, however KWU received no follow-up orders despite such good references. KWU needs at least one large order by 1989 at the latest so that jobs can be ensured. But the outlook is bleak:

- The anticipated order from China has evaporated for the foreseeable future (see box).
  - In Egypt hope is diminishing. KWU is maintaining its offer for the planned 1000 MW El Dabaa nuclear power plant. The offer of financing, which includes a Hermes guarantee and which actually expired in February 1986, has been extended to June. Added to the chronic lack of money in the meantime, however, are domestic political uncertainties--the Egyptians have other worries at the moment. The German promise of a guarantee, however--shortly before the visit to Egypt one year ago of the German president--threw KWU out of the race in Turkey because Bonn was not prepared to be the guarantor for projects in both countries.
- Turkey is still planning to build a nuclear power plant at Akkuyu but has concluded a preliminary agreement with a consortium headed by Atomic Energy of Canada Ltd. (AECL) which may be difficult to counter. Even if another Hermes guarantee does still come through--because nothing will come of plans for Egypt--KWU's chances are still slim even if the Canadian financing plan falls through like the one for the Turkish Enka, whereby the power plant builders in Turkey themselves are to pay through later sales of electricity. Turkey has made it clear that they are disappointed in the preference shown the Egyptians, and big competitors such as the French firm Framatome are offering lower prices anyway.
- The same holds true for the Netherlands. Framatome, well known far beyond its own borders for the successful construction of 33 nuclear power plants of standardized design in France, is supposed to be up to 25 percent less expensive than KWU, according to Dutch sources. This lower cost is due not only to

the generally more favorable French export financing conditions, but also to mass production and less comprehensive safety requirements. KWU is just beginning to do both. In the future it will build nuclear power plants using the convoy method and will wean itself from those "safety measures which have proven superfluous" (Barthelt). In KWU's favor is the successful operation of the KWU-built Borssele nuclear power plant in the Netherlands. For the moment, however, low oil prices will likely put a stop to orders for both French and German power plants. As late as last year the Dutch parliament approved the construction of two new nuclear power plants and the government in The Hague wanted to decide on the sites by the spring of 1986--Borssele was favored, as was the industrial site in Moerdijk. Now, however, the planned conversion of Dutch electrical power generation to imported coal and nuclear power has been postponed indefinitely: If the price of oil remains low for some time, it is in the interest of neighboring countries with plentiful supplies of natural gas to use their sources of energy in their own countries.

● The best prospective customer is still Switzerland. Of the five Swiss nuclear power plants, the KWU-built Goesgen plant is the leading producer, and in addition to this model plant the new KWU plant in Gundremmingen in Bavaria has greatly impressed the Swiss--at least according to KWU management. BBC is of course also bidding on the sixth planned Swiss nuclear power plant at Kaiseraugst, and does not want to lose out in its own domestic market. Finally, the Swiss concern, in spite of its subsidiaries in the FRG--although previously hardly flooded with orders--had to relinquish the market for light-water reactors after the disaster in Muelheim-Kaerlich (WIRTSCHAFTSWOCHE, No. 50, 1985) and now relies only on high-temperature reactors in the face of overwhelming competition from KWU in this country. In Switzerland on the other hand, national interests now stand in KWU's way.

The shrinking number of orders received by the Siemens subsidiary (see table) also does nothing to make up for the poor outlook with regard to new acquisitions. It does not even indicate the full scope of the disaster, as the more than DM 20 billion are tied up in projects which are largely either nearly completed or scarcely feasible: more birds in the bush than in the hand.

Even KWU now no longer believes that the Biblis C and Wyhl nuclear power plants, both pressurized water reactors with an output of over 1300 MW each, neither of which has received construction approval, will be built in the near future. The companies which have ordered the plants, Badenwerk und Energie-Versorgung Schwaben at Wyhl and the Rheinisch-Westfaelische Elektrizitaetswerk (RWE) in the case of Biblis C, are postponing their investment plans for a long period of time. The decision to postpone construction of these two plants itself reduces the number of nuclear power plant units in KWU's inventory of orders from eleven to nine.

The once so controversial Brokdorf nuclear power plant is already in the commissioning phase and is thus providing little new business for KWU which built the plant.

The fast breeder reactor in Kalkar, also built by KWU and essentially completed, now hangs by a thread of political controversy. The question now, of course, is only whether or not to commission the plant--there is no longer any talk of the once planned follow-up project, and with it new orders for KWU.

Construction of the Isar 2, Emsland and Neckar 2 units, the three pressurized water reactors rated at over 1300 MW each and still included in KWU's domestic order inventory, is progressing rapidly. As good as that news is after the bitter years of construction delays at Brokdorf, for example, these three plants will be sufficient to meet further domestic demand for nuclear energy in the foreseeable future. Once they are on line--and that is planned for 1989 at the latest--the outlook regarding additional large-scale orders for KWU will be bleak, and will likely not be altered by the fact that consumption of electrical power has again been increasing sharply since 1985. The electrical power industry is pledged to use domestic hard coal to produce electricity at least until 1995. Although Barthelt, "as a citizen of this nation," already entreats us to provide for our "children and our children's children" and concludes that there is a need to expand basic capacity by one additional nuclear power plant per year. However, even he probably catches himself dreaming and says, "But we are trained not to base our plans and actions on wishful thinking."

Barthelt likes to emphasize that "nuclear power plant construction is a multifaceted endeavor which deeply involves the middle classes"--suppliers in the meantime fear that the company with its demand and sales forecasts is whistling in the dark, because even the nuclear power plants which KWU is currently building abroad in Argentina, Brazil and Spain hardly lead to expectations for follow-up orders. On the contrary, KWU should be happy to be paid for work already completed in Argentina and Brazil. Such foreign business ventures by KWU in any case provide few opportunities for German contractors--the share of domestic manufacture demanded by the ordering party is constantly growing.

With its financially strong parent company Siemens behind it and with substantial reserves of its own, KWU can surely withstand a rather long dry spell. And it must also prepare itself for one--non-nuclear areas of activity are hardly likely. The construction of conventional power plants accounts for only a fraction of the order inventory (see table). Moreover, competition on the international market with respect to conventional plants is much keener than in the case of nuclear power plants. KWU is just now beginning to sell bioreactors for wastewater treatment (WIRTSCHAFTSWOCHE, No. 8, 1986). KWU is limping along behind its competitor BBC in the development of a small high-temperature reactor called a module reactor. Wolfgang Keller, among those on the KWU board responsible for the module reactor, denies vehemently that KWU is lagging behind, but at the same time he himself sees no quick employment opportunities in this sector.

Therefore KWU is now concentrating more and more on repair and maintenance. "If there is any way at all to provide sufficient work for the members of our good team, then this is the way," said Barthelt reporting on repair orders



from Finland, India, Italy, Japan, Yugoslavia, Sweden, Switzerland, Spain, the United States and some East Bloc nations. The servicing of power plants built by the competition--although it may be proof of KWU's extensive know-how--cannot in the long run fill the gap created by the lack of orders for new plants.

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## INDUSTRIAL PRODUCTION INDICATORS REVEAL DECLINE

Athens MESIMVRINI in Greek 28 Mar 86 p 14

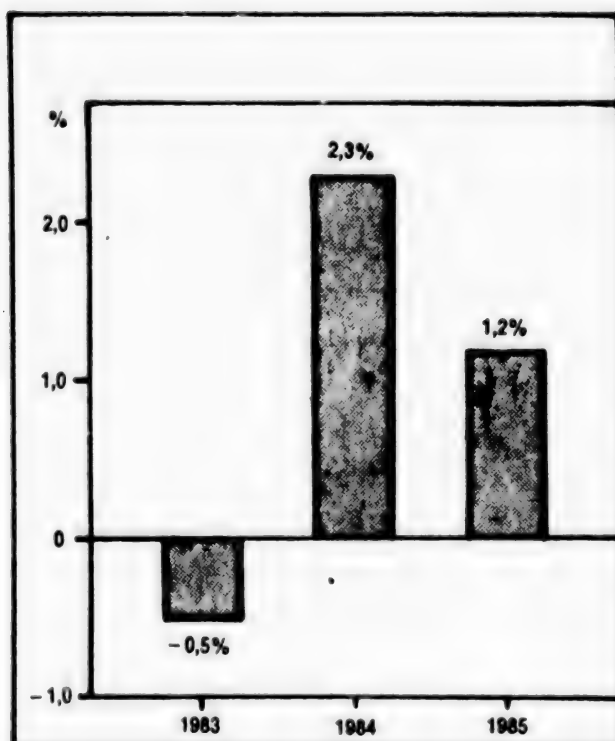
[Text] Inflation has again reached 25%, whereas in the EEC it has fallen to 5%. Production is regressing, whereas in other countries recession has already begun. Unemployment is rising, whereas in Europe tendencies to increase have been checked. Comparison shows that it is not enough for us to stop the decline, for then the gap only keeps growing wider.

In his speech at the Hilton yesterday sponsored by the "Propeller Club," the president of SEV [Association of Greek Industrialists], Mr. T. Papalexopoulos, referred to the factors and reasons which shape the Greek economy.

In brief, industry steadily supports a recession policy which will pull the economy out of its present state of stagnation and put it back on track. But this requires a reevaluation of the outdated structures which hold it back. Because what we need today is a new vision of the world, daring and know-how, to face the challenge of continuous changes in the international market and our society. But this vision does not fit in with our rigid and obsolete social system, the opportunistic way of dealing with problems when they become pressing, the endless experimentation with untested new ideas.

Industrial production indicators stayed at low levels in the three-year period from 1982 to 1985, according to the ESKE [misprint for ESYE: National Statistical Service of Greece, correctly printed in the graph caption].

Furthermore, industrial production's impetus toward recession significantly slowed in 1985, and this is solely due to the decline, by 3.3% relative to 1984, in the production of capital goods, in contrast to the production of permanent capital goods and consumer goods which increased by 10.4% and 3.1% respectively. (The fluctuations of industrial production in the three-year period from 1982 to 1985 appear on the graph.)



ESYE data processing source

12278  
CSO: 3521/129

## BRIEFS

PRODUCTION COSTS RISE--The cost of Greek products keeps steadily rising, which not only causes difficulties for exports but also prevents their getting established on the domestic market. From a special study made by the Center of Export Studies, it was seen that the decline in the competitiveness of Greek products during the first 9 months of 1985 reached 10 percent. More analytically: in the first and second quarters of 1985 the decline in competitiveness was 4.41 percent and 5.90 percent, whereas in the third quarter of 1985 it was 1.52 percent. During the same period, in other European countries but also in Japan, percentages ranged from 0.2 percent to 0.33 percent. As can be deduced from the above data, the loss in competitiveness of Greek products was 10.3 percent. But this decline was overcompensated by the slipping of the drachma versus the dollar, so that the final evaluation is that competitiveness has improved by 1.1 percent. [Text] [Athens I VRADYNI in Greek 1 Apr 86 p 17] 12278/6662

EXPORTS TO ARAB WORLD DECLINE--Exports of Greek products to Arab countries are declining disturbingly. And despite the traditionally good relations of our country with the Arab world, slowly but surely Greek products are being displaced from Arab markets whereas something similar is not happening with the products of other European or non-European countries. In 1981, our exports to Arab countries represented 25.3 percent of our total exports, but since 1982 and after, a continuous decline is noticeable. In 1982, exports to Arab countries covered 23.8 percent, in 1983 22.4 percent and in 1985 barely 15 percent [of total exports]. Forecasts for 1986 are even worse. This means, in practice, that our country is losing valuable foreign exchange of hundreds of millions of dollars, and this at a time when there is a huge deficit in the balance of trade. [Text] [Athens I VRADYNI in Greek 31 Mar 86 p 19] 12278/6662

CSO: 3521/129

## DEVELOPMENT, MOTIVES OF ECONOMIC AID TO NICARAGUA

The Hague INTERNATIONALE SPECTATOR in Dutch Mar 86 pp 187-191

[Article by Roelof Veenstra: "The Netherlands Aid Relationship with Nicaragua: A Special Case of Reassessment?"; first paragraph is unnumbered footnote]

[Text] (Drs. R. Veenstra studied developmental sociology at the State University of Leiden. He is a Parliamentary stenographer. This contribution continues the discussion of bilateral aid policy reassessment that appeared, in part, in the INTERNATIONALE SPECTATOR in 1984 and 1985.)

When on 19 July 1979 a definitive end was put to the Somoza dictatorship in Nicaragua, it soon became clear that the Sandinistas faced almost insuperable problems. There was only \$3.5 million in the national treasury; the foreign debt amounted to \$1.6 billion; the people's war had cost 50,000 dead and 100,000 wounded; industry and agriculture had suffered heavy blows, in part because of the bombings Somoza had ordered. Nor were the traces of the 1972 earthquake erased; health and educational facilities were in a pitiful state. Finally, the Somoza heritage consisted of an export-oriented agriculture (cotton, meat, coffee, and sugar), with minimal production and processing of food for the country's own population.

Foreign help started to arrive quickly after July 1979. During the first 4 years of the revolution that help amounted to some \$2.6 billion: \$1.4 billion from the West (including Latin America), \$600 million from multilateral organizations, and a similar sum from the Eastern Bloc. From left to right, people clearly realized that if any country needed help, it was Nicaragua.

As time passed, however, things began to change. There was a decrease in the credits provided to Nicaragua by both the World Bank and the Inter-American Development Bank, while the most important Western donor (the United States) shifted its policy on Nicaragua by 180 degrees after Carter. The United States also exercised heavy pressure on the World Bank and the Inter-American Development Bank to withhold loans from Nicaragua.

The Netherlands too has decided on a more cautious aid policy. The reconstruction relationship entered into in 1981 was ended in 1985. Based on that reconstruction status, Nicaragua received 36 million guilders annually (13 million as a gift and 23 million in soft loans). The final total shows that from October 1979 to the end of 1985 the Netherlands gave about 300 million guilders to Nicaragua in bilateral aid. Our country did not do so badly from an international point of view. Furthermore, the reconstruction aid was structural in nature; the receiver knew where he stood for the coming years. When, however, the note "Herijking bilateraal beleid" [Bilateral Policy Reassessment] (the Reassessment Note) was issued on 1 May 1984, it introduced a change of course.

Among other things, the new policy restricts the number of countries receiving aid. It opts to continue cooperation with the poorest developing countries with which the Netherlands already has had a

cooperation relationship over several years. These are the so-called "program countries" (earlier: concentration countries). The criteria for aid are:

1. annual per capita income (\$795),
2. socio-economic policy, and
3. human rights policy.

The restrictions are not only geographic; they also limit the sectors that will in future be eligible for aid. Three themes have been chosen (the sector programs): rural development, industrial development, and research and educational programs.

Besides the program countries, some regions have also been selected where there are specific problems characteristic of those regions. These regions are the Sahel and southern Africa. In connection with the refugee problem a temporary aid program has been established for Central America too.

Despite resistance from the Opposition, the Reassessment Note was accepted for official issuance on 12 March 1985. Minister Schoo thus got the chance to put her words into practice. For Nicaragua that comes down to the following:

- a. The reconstruction aid has been ended. Schoo has, however, promised to complete the entire reconstruction program. For some projects that may take another 2 years or so.
- b. Aid to Nicaragua will in future be given within a regional framework. In May 1985 Schoo came out with the regional program for Central America. The emphasis lay on aid to refugees and on participation in the Pan American Health Organization's program. There was a promise to make 10 million guilders available annually for 5 years to carry out that program.
- c. Nicaragua can receive support via the sector programs, particularly the rural development program. On 17 May 1985 Schoo announced which countries will be included under this new program. In the accompanying letter, however, she made it clear that this would not be a structural relationship. "Inclusion in the sector program list does not then mean that activities will be financed in each of the countries named in each fiscal year. Based on the experience with the sector programs in these countries on the one hand, and based on the identified needs for sector programs in other developing countries on the other hand, it is entirely possible that in the future alterations will be made within the totality of sector countries." (Footnote 1) (Letter from the minister, 18600-V, number 98, page 1.) Thus the structural reconstruction relationship begun in 1981--structural in the sense that the Netherlands committed itself for a period of 5 years--was succeeded by an aid relationship aimed at the Central American region and, as regards the rural development program for Nicaragua, by an aid relationship of a temporary and non-structural nature.

#### Economic Problems

Why this change? Because the reconstruction process in Nicaragua is complete and the country can easily go ahead on its own? No, the opposite is true. the Sandinistas face numerous, serious problems. These come down to the following:

1. falling export prices and rising import prices;
2. the rather strict government influence on the private sector does not make private businessmen very enthusiastic about investing;
3. besides disappointing revenues from exports, there is a considerable reduction in foreign aid;



4. major interest and debt repayment obligations;
5. lack of skilled middle and upper level people; many fled abroad after the fall of Somoza;
6. the deplorable state of the Central American economy in general and the collapse of Central American economic cooperation in particular;
7. disappointing production levels by state enterprises;
8. direct and indirect consequences of Contra operations;
9. the boycott--which actually amounts to economic warfare--by the United States.

More than enough problems therefore. Many of them can be traced, directly or indirectly, to the "Somoza heritage." The fact that disappointed ex-Sandinistas and Somozists soon began to offer armed resistance only made things worse.

Internal factors also play an important role in all this, however. One of the Sandinistas' goals was to introduce a mixed economy. Private enterprises could continue to operate on the condition that their production was aimed at meeting the needs of the people and that part of the profits were invested inside the country. The employers (in their association COSEP [Higher Council of Private Enterprise]) understand the concept "mixed economy" somewhat differently than the Sandinistas do. What they have in mind is a capitalistic sector that operates relatively autonomously alongside the public sector. What the Sandinistas have in mind on the other hand is a socialist-oriented market economy where the public sector has the role of "guide and engine of the entire economy." The Sandinista government thus prescribes when and what the businessmen can produce, what raw materials they receive, and who they can sell to. The state controls imports and exports, the banking system, the insurance system, and part of the distribution system. Of course this is all related to the Sandinistas' conscious decision to provide first for the needs of the people, but the Sandinistas' claim that the majority of businesses are still in private hands does call for some amplification.

More and more often the complaint is heard in Nicaragua that the government wants to regulate and plan too much without having the requisite ability. The bureaucracy has a paralysing effect on the private sector. Furthermore, questions are being raised about the Sandinistas' policy in regard to state enterprises (originally too large an increase in pay and too abrupt a reduction in working hours), about the massive provision of credits to small producers (credits are used not for productive investments, but for immediate improvements in the standard of living), and about state subsidies for various essential goods (these have led to an extensive black market in the intermediate trade). Finally, we must note in this connection the fact that by now almost half the GNP goes for defense purposes.

That many of these questions were correct was shown in February 1985 when the Sandinistas announced a rigorous program to clean up the economy. Many state subsidies were done away with, development goals were postponed, and until further notice the economy was dedicated to defense needs.

All in all we see a combination of internal and external factors leading to a very precarious situation for the Nicaraguan economy. But regardless of which factors one chooses to emphasize, it is clear that the reconstruction process is far from complete in Nicaragua.

#### End of the Structural Aid Relationship

Let us return to the question of why the Netherlands aid relationship with Nicaragua has been modified. Because the Nicaraguan development policy conflicted with the goals of Netherlands development

cooperation at the time Schoo made her decision? On paper at any rate it did not. The informational memorandum for the Ministry of Foreign Affairs 1985 budget states that the two tracks of fighting poverty and attaining economic independence "are both combined in Netherlands policy in a single primary goal: namely to fight poverty and achieve self-reliance in a single manner. This primary goal corresponds with that of Nicaraguan development policy. An informational paper from the ministry notes that Nicaragua is working to fight poverty structurally. (Footnote 2) ("Aspecten van internationale samenwerking" [Aspects of International Cooperation], December 1984, page 135.) Furthermore, Ministers Van den Broek and Schoo, civil servants, representatives of the co-financing organizations, and others have stated orally and in writing that the aid is well spent in Nicaragua, and that justice is done to the goals of Netherlands development cooperation policy.

Does the breaking off of the reconstruction relationship then have something to do with the policy modifications introduced via the Reassessment Note? It has since become quite clear that there is no place for Nicaragua any more within the desired streamlining. The government, it seems, feels that much help lends itself more to a regional approach, particularly for politically and economically instable regions with specific common problems. The specific problem in the Central American region is clearly the refugee problem--which indeed must not be underestimated.

It is, however, legitimate to ask whether restricting oneself to aiding refugees should not be characterized as treating the symptoms. The refugee problem after all is caused by the violence endemic in the region, and it is also the Netherlands government that has more than once declared that in the final analysis this violence is due to the bad socio-economic conditions in the region. If bad socio-economic conditions are indeed the cause of the refugee problem, then it makes more sense to provide help for countries that are seriously attempting to improve those conditions.

The regional approach favored by the government leads to Nicaragua's being treated in the same way as countries like Guatemala, Honduras, and El Salvador, where the situation is such that a national policy aimed at meeting basic needs is not really possible.

Of course, the criteria employed in this program country policy also played a role in the decision to break off the reconstruction relationship and to make Nicaragua a non-program country, and thus a country with which we do not aim to have a long-term cooperation relationship.

ing [sic]. Government paper 18100-V, number 133 indicates that in Nicaragua this income is \$860. Applying this criterion therefore leads to the conclusion that Nicaragua cannot be a program country. This is, however, a *faute de mieux* criterion. It is generally admitted that it says nothing about income distribution, and that it does not take into account the informal sector, which does not show up in the--often not up to date--statistics. Despite these limitations, however, it is an easy to use criterion.

This is not true of course for the other two criteria (redistribution policy and human rights). In regard to the criterion of redistribution policy, however, there is little problem with Nicaragua. Almost everybody will agree that the Nicaraguan redistribution policy benefits the poorest.

#### Human Rights Criterion

Problems do arise when one applies the human rights criterion. In the euphoria of the first years of the Sandinista revolution relatively little attention was paid to the human rights situation in Nicaragua. After all, things could only improve after the Somoza era. But during 1981 doubts began to arise, not least in the Netherlands. In February 1981 EvdA MP's Van den Bergh and Ter Beek raised uneasy questions about human rights in Nicaragua, at the same time CDA MP's Aarts and Scholten submitted written questions to protest the Sandinistas' decision to close the office of the Human Rights Commission. And during the budget discussion in 1981 Aarts inquired whether the absolute lack of freedom to found a trade union in Nicaragua was a model of a good human rights situation. In the years that followed, questions of this type

were raised and remarks made, but the predominant feeling was still that for the time being Nicaragua deserved the benefit of the doubt, especially since it was starting from such a low point.

However, the human rights situation in Nicaragua is still being kept under close observation from the Netherlands. In doing so, each person puts more or less emphasis on the internal factors, depending on his political views.

Thus it is the opposition in particular that points out that it may well be external factors that compel the Sandinistas to adopt a human rights policy that is debatable in Western eyes. It will surprise nobody that in doing so the opposition is thinking of the attitude and behavior of the United States.

It is clear, however, that for some people the benefit of the doubt is gradually beginning to change into sharp criticism. As early as 15 March 1982 some basic civil rights were suspended in Nicaragua, but a number of those rights were restored before the 4 November 1984 elections. However, to the surprise of many, human rights were once again severely restricted on 15 October 1985. Ortega stated *inter alia* that it was necessary to prevent the Contras from opening a front inside the country. The surprise was all the greater since just a few days before, Deputy Defense Minister Cuadra had explained that the Contras had lost their "strategic capability," which was confirmed in a policy document by American Under Secretary Elliot Abrams. This stated that the armed resistance in Nicaragua was incapable of attaining its goals.

If it is clearly not the Contras who form the greatest threat and compel the Sandinistas to adopt a debatable human rights policy, what forces are doing so? In formulating a reply to this question, we come to the internal factors: namely the Church, the employers (COSEP), and the Coordinadora Democratica, the united opposition. (Footnote 3) (A Sandinista government document describes these groups as follows: "The umbrella of business organizations, the extremist parties that were unwilling to participate in the elections, and some refractory sectors within the Catholic Church that have begun to develop a plan for internal destabilization." "Memorandum betreffende de noodtoestand" [Memorandum on the State of Emergency], point 4.)

After a period of relative quiet (Footnote 4) (From the very start of the revolution there was tension between the Sandinistas and the Church. This tension particularly involved the question of the role of priests in politics (some members of the Junta are priests), but even so the Church's attitude in the early years should be described as generally one of "critical solidarity." The latest development leading to increased tension in the relationship between the Church and the Sandinistas was the closing of Radio Catolica in early January 1986, after the Church transmitter had broken a (legal) tradition and failed to transmit Ortega's New Year's speech because of a "mistake by a technician.") in the relationship between Church and state the tension flared up again in fall 1985. Eleven seminarians were jailed for refusing military conscription, citing the statement by Cardinal Obando y Bravo that conscription was instituted not so much to defend the fatherland as to defend the Sandinista Party. Also, in October 1985 thousands of copies of the first issue of the Church publication IGLESIA were confiscated. The cardinal also contributed to the polarization for that matter, by celebrating a mass in the United States for Contra supporters.

That relations between private employers and the Sandinistas are also at a low level now needs no more proof. It is worth noting that in summer 1985, 1200 hectares of land were confiscated from COSEP Chairman Enrique Bolanos. That will have more to do with Bolanos's fierce criticism than with the fact that there is a serious shortage of land around Masaya.

Finally there was also opposition from the Coordinadora Democratica (CD), which by the way did not participate in the 1984 elections. CD Chairman Eduardo Rivas called for a referendum on the question of whether the "Christian" population of Nicaragua wants a "Marxist-Leninist" government.

Here too we must conclude that it is a combination of internal and external factors that leads the Sandinistas to adopt a certain human rights policy. It can indeed be supposed with some justice that the

internal factors predominate here, although it must be added that the two cannot be completely separated from one another. There is no doubt that there is a threat from abroad which is exacting a price domestically. The only question is whether that threat is such that civil rights also need to be restricted now, when the population is suffering economic hardship as a result of the war economy. The discontent that is showing up more and more in Nicaragua will certainly not be reduced by the October 1985 measures.

But the discontent--or at any rate the doubt--has grown in the Netherlands too. Thus, on 24 October 1985 VVD MP Weisglas asked the minister "to be cautious for the time being about entering into new development activities in Nicaragua at this moment and under these circumstances." The MP was referring to the suspension of civil rights. And Minister Schoo replied that that wish had already been fulfilled some years before. The minister was referring to the policy change introduced with the Reassessment Note. Outside Parliament too (co-financing organizations, editorials, etc.) many people were commenting on recent developments in Nicaragua.

#### Political Pluralism/Kinds of Human Rights

Much of the criticism can really be traced back to differing definitions of the concept of "political pluralism" within which a human rights policy is defined. Given the almost excessive interest on the part of the Western European countries in the elections in Nicaragua, we can conclude that free elections play a very important part in the Western European interpretation of that concept. Representatives of the Nicaraguan government have, however, repeatedly stated that democracy starts not with elections, but with the disappearance of socio-economic inequality, with learning to read and write, in short: with an improvement in the living standard of workers and peasants.

It is, however, not just the elections which are the subject of overwhelming interest. That is also directed at press censorship and at restrictions on trade union rights and other civil rights. Confronted with that criticism, the Nicaraguan ambassador in the Netherlands, Arguello Gomez, stated that in Nicaragua the survival of the nation is at stake. "We have to defend ourselves, and unfortunately part of that defense consists of keeping watch on people who work with the CIA-supported aggression in Nicaragua." (Footnote 5) (INFORMATIEBULLETIN VAN DE AMBASSADE VAN NICARAGUA, September 1984.) A statement like this makes it clear at any rate that in the Sandinista point of view pluralism does not mean that people are free to work for a return to Somozist conditions or to frustrate the goals of the revolution.

This difference of interpretations is connected with the difference between political and civil rights on the one hand and socio-economic rights on the other. The first category includes the issues that people have in mind when they criticize Nicaragua. The second category has to do with satisfying basic needs, such as the need for shelter, adequate food, education, medical care, etc. The Sandinistas are primarily interested in the second category of human rights. These two kinds of human rights may conflict with one another, especially in countries where, after a period of great disparities between rich and poor, when political and economic power were in the same hands, the government is attempting to ensure a minimal level of prosperity and government services. In developing countries the one view may deem it necessary for reform-minded regimes to take far-reaching action against the old socio-economic order, but from the human rights viewpoint that may mean that some political rights (particularly those of the old power elites) will be restricted temporarily during the struggle for power. Thus Booth describes the situation in Nicaragua as follows: "The FSLN leaders had come to believe that their economic recovery program was incompatible, at least temporarily, with a continued high degree of organized liberty in the economic sphere." (Footnote 6) (J.A. Booth, "The End and the Beginning, The Nicaraguan Revolution," Colorado, 1982, page 226.) The big question, of course, is how long that "temporarily" will last.



## Netherlands Political Motives

The primary goal of Netherlands development cooperation policy (to fight poverty) is not only one of the criteria for development aid, i.e. to socio-economic policy. Although this is the criterion, applying the other two criteria (per capita income and human rights), which leads to the conclusion that the goal is not to be broken off the structural aid relationship. A political right criterion of course has everything to do with one's political judgement or, if you will, one's image of society.

Reconstruction aid serves to reconstruct something. If that process is still not complete but the donor nonetheless decides to break off the structural aid relationship, then there must be some reason. Obviously political motives and judgements play a role. Along with growing doubts about Nicaragua's human rights policy, the following complaints are also mentioned: the buildup of the Nicaraguan army, which is said to be disproportionately large; the arms shipments from Nicaragua to the guerrillas in El Salvador; the presence of Cuban "advisors"; the rather obtuse policy in regard to the Miskito Indians; the sometimes objectionable practices of the Sandinista block committees; and Nicaragua's anti-Western voting in the United Nations. Add to this the growing displeasure at Sandinista leader Ortega's rather reckless behavior on the political front (Footnote 7) (I am thinking of Ortega's trip to Moscow, right after the U.S. Congress had rejected Reagan's proposals for aid to the Contras, and Ortega's defense of the Sandinista experiment in the United Nations, one day after the far-reaching suspension of oil exports on 15 October 1985.) and it becomes clear why more and more people are calling for a (further) reassessment of the aid relationship with Nicaragua.

Of course there is no objection to using political arguments in making decisions about aid relationships. What we should object to is if such decisions are presented as decisions of a purely technical or practical nature ("regional problems must now be approached regionally"). It is equally obvious that the human rights situation in a country that receives aid will in one way or another enter into the judgement about aid question. It is, however, necessary to realize that in the case of Central America a regional approach means that help will be given to countries where all kinds of human rights, not least the socio-economic ones, are systematically violated.

In addition, the regional policy supported by Schoo derives more or less automatically from the Netherlands' interest in behaving like a good European, especially within the European Political Cooperation framework. Everybody realizes that this kind of behavior is anything but spectacular and will continue to be so. One cause of this is the EEC's limited financial resources (the so-called San José Conference in Luxembourg was proof of this), while in addition there is a difference of opinion within the EEC as to what policy should be adopted in Central America. It is an open secret that the British and Thatcher governments in particular have considerable difficulty with the idea of Europe's playing an active role in the region generally and of supporting Nicaragua in particular. (That the EEC does not speak with a single voice was once again demonstrated at the end of 1985, when only Greece, France, Ireland and Spain voted for a UN resolution condemning the economic boycott of Nicaragua.)

Well then, if it is clear that it is impossible to reach agreement on a common EEC policy, the obvious solution is to take a regional approach, which is depoliticizing in nature because it ignores the political differences within the region. Schoo's change in policy is an expression of the importance the Netherlands attributes to acting within the EEC framework, where a regional approach is (indeed must be) central. At the same time we recognize that little can be expected at the EEC level. As far as that goes, there is something to be said for the supposition that this gives Schoo the opportunity to avoid the political responsibility for carrying on a bilateral aid relationship with Nicaragua.

The Netherlands' choice is implicitly a choice against the quite clear Nicaraguan development policy. The fact that the human rights situation in Nicaragua is developing in a way that is suspicious by our standards comes in handy for the minister in that regard. For the time being it is not possible to give a clear answer to the question of to what extent the Netherlands government was also influenced in its choice by the desire not to get too much in the way of our largest NATO ally.

## FIGURES, DETAILS ON 1985 TRADE BALANCE DEFICIT

Lisbon O JORNAL in Portuguese 28 Mar-3 Apr 86 p 42

[Text] Portugal exported products valued at 967.4 million contos in 1985--an increase of 27.2 percent over the previous year and the smallest increase since 1983--according to provisional data released by the National Statistics Institute [INE].

During the same period, Portuguese imports totaled an estimated 1,302.7 million contos, leaving a trade balance deficit for 1985 of 335.3 million contos, or 16.2 percent less than in 1984.

The rate at which imports were covered by exports therefore reached its highest level for this decade at 74.3 percent, compared to 65.5 percent in 1984, 56.6 percent in 1983, 44 percent in 1982, 42.2 percent in 1981, and 49 percent in 1980.

In dollars, imports were down by 3.9 percent, while exports were up by 9.3 percent and the deficit was reduced by 28.8 percent.

Even in absolute values not adjusted for inflation, the trade balance deficit recorded last year was the second lowest of the decade, the lowest figure having been recorded in 1980 (241.4 million contos). The highest deficit was in 1982 (422.2 million contos).

## Growth in Exports

The results achieved in 1985 are explained by the rate of growth in Portuguese exports, which in terms of value was considerably higher than that for imports. Over the past 3 years, imports rose by 19.3 percent in 1983, by 29.1 percent in 1984, and by 12.2 percent in 1985, while exports increased during those same 3 years by 53.3 percent, 49.6 percent, and 27.2 percent respectively.

The European Economic Community continues to be Portugal's main trading partner, having supplied about 39 percent of the country's needs and absorbed approximately 58 percent of Portuguese sales abroad.



As far as the Portuguese-speaking African countries and EFTA are concerned, the value of trade flows in recent years has not varied perceptibly relative to the total value of imports and exports.

As for relations with OPEC, a notable imbalance in trade to the detriment of Lisbon is observed. This is due to the significant share of our imports that is represented by crude petroleum from those countries.

Of the 261.7 million contos worth of crude petroleum imported last year, 211.5 million contos worth (80.8 percent) came from countries belonging to that organization.

Last year only six countries (France, Holland, the FRG, the United Kingdom, Spain, and the United States) accounted for 47.2 percent of Portugal's imports (48.8 percent in 1984 and 50.4 percent in 1983) and 61.3 percent of its exports (60.6 percent in 1984 and 58 percent in 1983).

Four of those countries (France, Holland, the FRG, and the United Kingdom) are members of the EEC. Our purchases from those four accounted for 30.1 percent of total imports (28.2 percent in 1984 and 31.2 percent in 1983), while our sales to the same four accounted for 48 percent of total exports (47.7 percent in 1984 and 47.9 percent in 1983).

In the case of six countries, the deficits resulting from trade equaled or exceeded 30 million contos: Saudi Arabia (57.7 million contos), Spain (56 million), Nigeria (45.4 million), Iraq (37.5 million), the United States (37.1 million), and Japan (30.3 million).

Portugal maintained surpluses of over 18 million contos with four countries: the United Kingdom (43.5 million), Holland (25.5 million), Sweden (18.2 million), and France (18.1 million).

An analysis of products imported shows that at 261.7 million contos, crude petroleum accounted for 20.1 percent of the country's total purchases abroad.

Next in line are electrical machinery, apparatus and equipment at 13.8 percent (179.5 million contos) and road vehicles at 7.1 percent (92.8 million contos).

It should be mentioned that thanks to the good agricultural season, cereal imports, which accounted for 4.3 percent of total imports at 56.4 million contos, were down by 23.2 percent in comparison with purchases made in 1984.

Textiles and clothing are still the country's main export, accounting for 29.5 percent of the total (28 percent in 1984 and 28.3 percent in 1983) at 285.8 million contos.

Next in line are electrical machinery, apparatus, and equipment with 11.7 percent of the total (113.4 million contos) and footwear at 5.7 percent (55.4 million contos). It should be pointed out that exports of footwear, which were already up by 77.6 percent in 1984, rose by about 52.1 percent in 1985, making them the group of products with the greatest increase in foreign sales.

# Change in Foreign Trade by Economic Zone, 1982 to 1985

Economic zone	I m p o r t s (CIF)					E x p o r t s (FOB)				
	Millions of contos		Change (%)			Millions of contos		Change (%)		
	1985	%	83/82	84/83	85/84	1985	%	83/82	84/83	85/84
World	1,302.7	100.0	19.3	29.1	12.2	967.4	100.0	53.3	49.6	27.2
EEC	500.0	38.4	16.2	16.3	20.1	565.0	58.4	56.5	46.6	29.4
EFTA	78.9	6.1	4.0	14.1	31.1	104.5	10.8	37.4	43.6	30.9
Former escudo zone	15.7	1.2	21.5	104.5	86.7	37.3	3.9	37.7	49.0	10.6
OPEC	229.5	17.6	15.3	28.5	7.1	24.2	2.5	85.9	5.4	27.8

Source: INE

## Main Suppliers and Customers

Country	I m p o r t s (CIF)				E x p o r t s (FOB)			
	Millions of contos		Change (%)		Millions of contos		Change (%)	
	1985	%	84/83	85/84	1985	%	84/83	85/84
France	104.6	8.0	23.7	14.1	122.7	12.7	37.5	29.7
Holland	41.4	3.2	13.9	3.0	66.9	6.9	40.8	49.1
FRG	148.5	11.4	14.8	25.9	133.3	13.8	53.2	28.3
United Kingdom	97.6	7.5	13.2	25.4	141.1	14.6	55.2	20.8
Spain	95.7	7.4	80.3	15.6	39.6	4.1	65.5	18.1
United States	126.6	9.7	23.3	-19.0	89.4	9.2	118.0	32.9
Total	614.3	47.2	25.0	8.4	593.1	61.3	56.3	28.6

Source: INE

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CSO: 3542/86

## IN ARREARS DETAILED BY SECTOR

Excerpt from O JORNAL in Portuguese 4-10 Apr 86 p 14

[Article by Jose Pedro Castanheiro]

[Excerpts] The latest data on wages in arrears are beating all records. That conclusion is drawn from the General Inspectorate of Labor's latest report, publication of which is being delayed by the government but to which O JORNAL has had access.

At the end of 1985, the number of workers whose wages were in arrears totaled 120,127, representing an increase of 24 percent over the most recent figure before that. Of those 120,000, only 4,168 (that is, 3.5 percent) have taken advantage of the solutions provided by the current government for solving the problem.

Table 1 shows how wages in arrears evolved from 1 October 1983 and 31 December 1985. A look at that table leads to the conclusion that the problem has been getting worse, the only exception being noted during the second quarter of 1984, when a small improvement caused a slight drop in all the figures.

Table 1: Comparison of Wages in Arrears

Description	1 Oct 83	31 Jan 84	31 Mar 84	31 May 84	31 Dec 85
Number of firms	449	633	700	679	2,838
Number of workers	94,897	92,274	105,017	96,866	120,127
Total owed (in contos)	4,154,730	21,601,332	22,820,765	21,480,769	34,298,109
Amount of monthly wages (in contos)	?	2,654,706	2,989,042	2,947,716	5,826,340
Average owed per worker (in contos)	43.8	234.1	217.3	221.7	285.5

Source: General Inspectorate of Labor.

At the end of last year, the number of firms with wage payments in arrears totaled 2,838. That was four times as many as there had been at the time of the preceding survey in May 1984. And at 120,127, the number of workers affected was 24 percent higher than in May 1984.

There were also significant increases in terms of the amounts owed: 59.6 percent in the total owed (which rose to over 34 million contos) and 97.6 percent in the amount of monthly wages in arrears (which were up to over 5.8 million contos). The overall average owed per worker also increased by 28.7 percent to 285 contos. If monthly wages in arrears are excluded, the average owed per worker naturally drops, coming out to about 74 contos.

Table 2 presents a detailed picture of the situation existing at the end of 1985. Of the 2,830 firms found to be in arrears, 953 (33.6 percent) were behind in their payment of monthly wages. On the other hand, of the 120,000 workers with wages in arrears, 78,659 (65.5 percent) were not receiving their monthly wages regularly. The others were owed other kinds of remuneration, including wage differentials, retroactive payments, and bonuses for Christmas and other holidays.

Table 2: Wages in Arrears (as of 31 December 1985)

Description	Number or amount
Number of firms:	
Owing monthly wages	953
Owing wages and other compensation	2,838
Number of workers:	
Owed monthly wages	78,659
Owed wages and other compensation	120,127
Amounts owed (in contos):	
Monthly wages	5,826,340
Wage differentials	1,106,544
Retroactive and other payments	740,909
Holidays	58,360
Holiday bonuses	540,165
Christmas bonuses	1,049,058
Unemployment Fund	5,451,662
Social Welfare	19,525,061
Total	34,298,109

Source: General Inspectorate of Labor (1985 report on wages in arrears).

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As was said, the total owed exceeded 34 million contos, distributed as follows in descending order: amounts owed to the Social Welfare Fund (56.9 percent), monthly wages (17 percent), amounts owed to the Unemployment Fund (15.9

percent), wage differentials (3.2 percent), Christmas bonuses (3 percent), retroactive and other payments (2.2 percent), holiday bonuses (1.6 percent), and, lastly, holiday pay (0.2 percent).

Geographically, the district most affected by wages in arrears was Setúbal (40,933 workers), followed by the districts of Aveiro (18,915), Faro (8,539), Beira (6,789), and Lisbon (4,659).

By sector of activity, the sector hardest hit was the metallurgical and metal engineering industry, where 35,301 workers had wages in arrears. Next in line were the hotel industry (18,801), ceramics and cement (13,265), food and beverages (5,735), and civil construction and public works (5,135).

Of the total number of firms covered, 187 had more than 50 employees. Those firms had 29,375 workers in their employ and owed a total of nearly 12.5 million contos, of which over 4 million was in the form of monthly wages.

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On: 5/22/80

## ENERGY PROGNOSIS FOR YEAR 2000 PUBLISHED

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[Article by Dr Karl Musil, energy management specialist at the Austrian Institute for Economic Research: "Energy 2000"]

[Text] An average increase in consumption of one percent per year--that is the most recent energy forecast of the Austrian Institute for Economic Research in its expanded forecast up to the year 2000, which must be considered conservative in view of sinking energy prices.

This forecast takes into consideration the energy policy objectives formulated in 1984 within the scope of energy planning by the Austrian Government, and in particular allows for continued efforts toward improved energy use and strict measures for protecting the environment from the harmful effects of energy production and use. The forecast is based on the current law which prevents nuclear energy from being used for the production of electrical energy, and it takes into account the current, rather uncertain construction program within the electrical industry in which changes were made only in the construction of the power plant on the Danube.

Among the most significant assumptions contained in the forecast, however, is the assessment of future economic development and future trends in the cost of energy. The forecast is based on an average increase in the gross national product of two percent per year up to the year 2000 and real, stable energy prices over the long term. The assumption that the Austrian economy will grow at an average of two percent per year up to the year 2000 seems rather conservative; current discussions indicate probable growth of between 2 and 2.5 percent. Future trends in the cost of energy are also being seen as more and more favorable.

## Increasing Energy Consumption

The forecast shows energy consumption increasing at an average rate of one percent per year up to the year 2000. At the beginning of the forecast period, higher growth rates can be expected (1.7 percent per year from 1984 to 1990), followed by a general leveling off in the 1990s (0.9 percent per year from 1991-1995) and 0.4 percent per year from 1996-2000). Before 1973, energy consumption increased by average of 4.8 percent annually, and by 0.6 percent between 1973 and 1984 (with large fluctuations from year to year).



In the year 2000, overall economic production could be 39 percent higher than in 1984, with a corresponding increase of 17 percent in the amount of energy required. This shows a decrease in relative overall energy consumption (energy consumption per unit of real overall economic production) of 16 percent, or an average of 1.1 percent per year. Before 1973, the overall economy and energy consumption grew at nearly the same fast pace; between 1973 and 1984 relative overall energy consumption fell by an average of 1.7 percent per year.

Industrial energy consumption could be 11 percent higher in the year 2000 than it was in 1984; according to this figure the average annual consumption increase would amount to 0.6 percent.

The forecast assumes a growth rate in industrial production of 2.3 percent for 1984-2000, a figure which is only slightly above that for overall economic growth. It was also assumed that there will be a significant shift toward energy-intensive products, that production increases will be below average, above all in the paper industry and in the stone and ceramic industry, and that industry will continue its efforts to make more efficient use of energy.

The industrial net product could thus be 44 percent higher in the year 2000 than in 1984, while the amount of energy required could increase by 11 percent. This would result in an average decline of 1.6 percent per year in energy consumption per unit of real industrial net product. Before 1973, these "savings" were 3.2 percent per year, and between 1973 and 1984 they were 2.9 percent per year.

In the transportation industry, the increase in energy consumption by the year 2000 could be 17 percent, or an average of one percent per year. The Institute now expects the number of motor vehicles in use to level off somewhat sooner and, is proceeding from relatively optimistic assumptions regarding the market potential of diesel-powered vehicles. The moderate increase in consumption in the transportation industry (six percent per year before 1973 and one percent per year between 1973 and 1984) is largely based on the assumption that energy consumption per vehicle and year will continue to decrease.

Specific distances traveled should continue to decrease, and improvements in motor vehicle technology should generally lead to increased fuel economy in spite of increased consumption caused by the use of catalytic converters.

Households and other small-scale users will probably consume 20 percent more energy in the year 2000 than in 1980. The increase in consumption will initially be large, but will diminish in the second half of the 1990's. This will result in an average annual increase of 1.1 percent as opposed to 5.8 percent before 1973 and 0.8 percent between 1973 and 1984.

The forecast presupposes that households will achieve great energy savings in the future by taking steps to install thermal insulation (renovation of old structures and improved thermal insulation in new structures) and that heating systems will become more efficient. Clear increases in consumption are expected for other small users, particularly commercial producers and the majority of firms in the service industries.

## Conserve When Prices Are Low?

The uncertainty of the forecast is due primarily to the lack of empirical data regarding consumer behavior in the event of real, stable or even falling energy prices over the long term. The Institute has assumed continued "efforts to conserve." There is a lack of information about how much of the "energy savings" following the second wave of energy price increases were due to technical and organizational measures and how much is attributable merely to temporary consumer restraint as a result of cost pressure.

It can also be assumed that measures to bring about more efficient use of energy as well as the substitution of mineral oil products will become technically more difficult and more expensive in the future. Stricter environmental protection laws which will most probably be passed have created a great deal of uncertainty with regard to investment decisions by energy producers and consumers. They will certainly make energy consumption more expensive. What is not certain is whether environmental protection investments on balance will compete with or accelerate energy-saving investments. The slowdown in the increase in energy consumption expected during the second half of the 1990's in particular is at present still very uncertain.

If the power plant construction program of the electrical industry is implemented, the additional primary energy demand would be met primarily by means of hydroelectric power. The percentage of crude oil used to generate electric power should continue to drop as hydroelectric power generation increases. The amount of hydroelectric power generated to meet demand could increase from 13 percent to 17 percent of the total by the year 2000; no gains in the market share by crude oil are evident (19 percent in 1984, 20 percent in the year 2000). It is possible that coal (19 percent in 1984, 18 percent in the year 2000) and "other" energy sources (7 percent and 6 percent, respectively) will not be able entirely to maintain their share of the market; in the case of crude oil, the market share could drop from 42 percent to 39 percent.

The ability of substitute sources of energy to be competitive depends on the relative prices of energy sources and technologies which are difficult to forecast. Moreover, assumptions must also be made concerning the availability of energy sources and technologies. In particular, it was assumed that the contribution made by biogasoline toward meeting energy demand will remain insignificant during the forecast period.

Sales of coal should increase greatly in the electrical industry over the long term. In the near term, large coal-fired power plants will begin operating and further supplant heating oil as a source of energy.

The consumption of mineral oil products is expected to vary depending on the product. Fuel consumption may still increase moderately over the long term, while heating oil consumption could continue to decline. Natural gas consumption would increase rapidly in the future because the use of natural gas is relatively favorable in terms of environmental impact, and its distribution losses are low. However natural gas could also lose a share of the market to district heating, which could be given a higher priority with regard to energy policy considerations in the event of competition.

Available hydroelectric power is expected to show the greatest increase, however the uncertainty of some construction projects has already been pointed out. The construction of additional hydroelectric power plants is meeting resistance from environmentalists. The forecast showed an average increase in overall consumption of electric power of 2.4 percent per year up to the year 2000, whereby the increase could be more rapid initially and level off later on. It is to be expected that the consumption of electric power will also increase much more rapidly in the future than overall energy consumption.

#### Consumption of Electric Power On The Increase

The continuing marked increase in electric power consumption can be explained primarily by the fact that electric power is generally required both for streamlining and automating production, as well as for the operation of environmental protection facilities. In addition, the consumption of electric power is particularly favorable in terms of the environment, more comfortable living conditions are in general linked to higher electric power consumption and mass-transit systems driven by electric power are expected to make up a growing share of the transportation services in the future.

Although a sharp increase in domestic hydroelectric power generation is anticipated, it is nevertheless not expected that overall energy production in Austria will increase over the long term. According to forecasts by the mineral oil industry, domestic crude oil and natural gas extraction will decrease further in the future. Additional energy demand will have to be met largely by increased imports.

Net imports (imports minus exports expressed as a percentage of consumption) could reach 68 percent in the year 2000. It will thus be only about as high as it was in 1984 when imports were especially high due to the increase in reserves of natural gas and coal. Energy imports, however, should nevertheless increase sharply by the year 2000.

Crude oil prices have dropped sharply on the world market recently. It is not yet clear whether a lasting reduction in energy prices can be expected. If energy prices remain low over the long term, an effect on the energy market is to be expected.

#### Crude Oil Producers: Lost Income

The sharp cutback in crude oil demand worldwide since the beginning of the 1980's has been felt above all by Saudi Arabia. The industrialized nations limited purchases from the OPEC nations, strongly promoted their own crude oil production (particularly in the North Sea) or obtained more oil from non-OPEC nations (i.e. Mexico). The adjustment of production by OPEC nations to the trend in demand was inadequate at best; Saudi Arabia made up the difference with a particularly high production increase.

## Overall Energy Consumption

(2)	1967	1980	1990	2015	2030
in (1)					
Gesamt	924 312	961 749	1 077 540	1 066 070	1 115 070
Kohle	199 683	180 000	160 000	150 000	140 000
Erdöl	420 971	486 166	537 797	540 000	490 000
Gas	160 500	230 000	300 000	350 000	400 000
Sonstige					
Energetischer	27 500	65 000	100 000	100 000	100 000
Wasserkraft	174 658	176 683	180 743	180 070	185 070
Anteile in (4)					
(3)					
Kohle	17,5	19,0	15,0	14,0	13,0
Erdöl	45,5	49,0	49,0	50,0	45,0
Gas	17,4	23,9	27,8	32,0	35,0
Sonstige					
Energetischer	3,0	6,8	9,3	9,4	9,0
Wasserkraft	18,8	18,3	16,6	16,6	16,0

### Key:

- |   |  |
|---|--|
| 1. in TJ<br>2. Total<br>Coal<br>Oil<br>Gas<br>Other Energy Sources<br>Hydroelectric Power | 3. Coal<br>Crude Oil<br>Gas<br>Other Energy Sources<br>Hydroelectric Power<br>4. Shares in percent |
|---|--|

Losses due to the exchange rate of the dollar further reduced import costs to the industrialized nations. This lost income to the oil producers will probably foster new agreements on limiting production. However because the producers' continuing production costs are in general low, a protracted competitive battle with even sharper price cuts is also conceivable.

Many people expect that prices will not remain at their current very low levels for long but may increase substantially in the foreseeable future, however the new level will clearly lie below that of previous forecasts.

If one disregards the alarming growth of financing problems in the highly indebted oil-exporting third-world nations, the drop in oil prices on balance favors worldwide economic development due to declining inflation rates, lower interest rates and improved terms of trade with the oil exporters.

### Conserve Less

Lower energy prices could affect energy consumption and the profitability of energy-conserving investments; lower oil prices could affect the rate at which crude oil substitutes are developed.

Lower energy prices, however, will primarily reduce expenditures for the development and acquisition of conventional and non-conventional energy sources.

The new long-term trends in terms of energy prices can not yet be clearly defined. If there is no dramatic drop in prices over the long term, the reduced energy prices currently foreseeable may have only a marginal effect on Austria's energy forecast.

The effects of rising and falling energy prices are not symmetrical; energy-saving investments which have already been made are not negated by falling prices. It is expected that more modern and efficient uses of energy will continue and that crude oil will be further supplanted. Within five to ten years, however, the rate of modernization could slow, energy consumption which is dependent upon real income (higher heating temperatures, increased vehicle traffic) could increase more sharply, and increased amounts of heating oil could again be used in heating systems with compound furnaces. Although the construction of new heating oil power plants is unlikely, the competitive position of coal-fired and hydroelectric power plants could worsen appreciably and expansion of the district heating network could become relatively more expensive.

In light of current trends, the forecast by WIFO concerning the future trend in overall energy consumption seems rather conservative. More rapid economic growth and more favorable energy prices could lead to somewhat higher energy consumption over the long term. In particular, the strong leveling off in the increase of consumption toward the end of the 1990's presupposes continued efforts toward more efficient energy consumption--which may be an optimistic assumption in view of falling real energy prices.

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CSO: 3620/641

## TRADE MINISTER DEFENDS OIL PURCHASE AGREEMENTS WITH USSR

Reykjavik MORGUNBLADID in Icelandic 22 Feb 86 p 7

[Article: "We Will Keep the Agreement with the Soviet Union"]

[Text] "I am of the view that Iceland's petroleum trade is free. Petroleum prices from the Soviets follow the Rotterdam market prices for a given time and are based upon trade on the free market. We made a five year trade agreement with the Soviet Union last year. We will keep the agreement--no other possibility has ever occurred to me. Trade agreements promote increased purchases of Icelandic products, not only in the Soviet Union but also in Portugal where we have purchased a quantity of oil," said Icelandic Minister of Trade Matthias Bjarnason, in an interview with MORGUNBLADID.

"We have purchased petroleum and benzene from Portugal to assure a market for Icelandic salt fish in Portugal. We will keep the agreement with Portugal, but difficulties have arisen due to Portugal's entry into the Common Market. We will, however, insist that fisheries rights and trade interests are not to be confused," said Matthias Bjarnason.

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CSO: 3626/0022

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